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NEWS SUMMARY

GENERAL

Steel wins NATO debate

Liberal leader David Steel's attempt to stop the party supporting a defence policy which would mean the break-up of NATO was successful yesterday. The party conference at Blackpool rejected demands that Britain should embark on unilateral disarmament and withdraw from NATO.

Callaghan hits back

Opposition leader James Callaghan repeated his demand to Mrs. Thatcher to recall Parliament to debate unemployment and the economy. Back Page

Polish plan

Polish workers' leaders announced plans to establish a nationwide free trade union organisation which would exclude Communist Party officials from union posts.

Diamond raid

Two raiders stole 20 gems worth £1m, including the 540,000 Marlbrough diamond, from Graff's the jewellers at Bromley, London.

Chileans vote

Labour Party general secretary Ron Hayward attacked the Government for putting trade before caring who it dealt with or at what cost, while Chileans voted in the Pinochet plebiscite. Page 6

Daily Express

Publication of the London editions of the Daily Express was halted last night for the third night running because of a dispute involving printers in the printing and machine rooms. The London edition of the Daily Star was affected. Page 9

Dearer beer

Courage, Scottish and Newcastle Breweries, and Carlsberg are to increase prices of beers and lagers shortly by between 2p and 4p a pint. Page 7

Lowest air fare

British Airways announced the cheapest London-New York winter stand-by single air fare, £77. Some business travellers on European air routes are "over-charged." Page 7

Iran power

Iran's Revolutionary Council, which has ruled since the Shah was deposed last year, announced its dissolution and transfer of powers to the Majlis (Parliament) and newly-appointed Government.

Israel concerned

Israel is concerned at the consequences of the Latin American reaction to its annexation of all Jerusalem. Page 6

Briefly

Australia will hold a General Election on October 18. Prime Minister Malcolm Fraser told Parliament. Page 4
Two merchant ships, Dutch and Greek-registered, landed 138 Vietnamese refugees in Singapore.
The "father of Nescafé" Swiss chemist Max R. Morgerthal, has died near Vevey, Switzerland, aged 80.
Lord Carrington will pay an official visit to China, between October 2-6, and will visit Japan and Hong Kong.

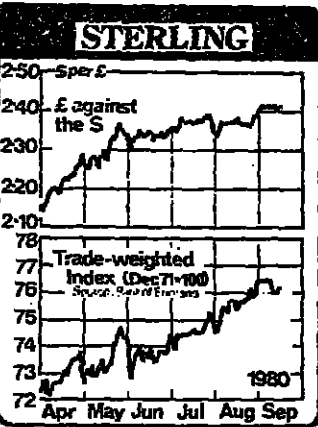
BUSINESS

Gilts fall to 70.78; Tokyo at new high

GILTS eased on profit-taking and selling pressure, longs losing up to a full point and shorts up to 1. The Government Securities index shed 0.31 to 70.78. Page 32

EQUITY leaders recovered minor falls and the FT 30-share index closed 1.2 higher at 502.0. Gold mines lost 13.1 to 448.8. Page 32

STERLING gained 95 points to £241.25 and strengthened to DM 4.29 (DM 4.2750). Its trade-



weighted index was 76.3 (76.0). DOLLAR eased, its index falling to 83.3 (83.6). Page 26

GOLD closed \$3 lower in London at \$631.5 after a late rally on strong demand in New York. Page 26

TOKYO: The Nikkei Dow average rose 22.68 to a record 6978.89. Page 30

WALL STREET was 2.82 higher at 941.3 before the close. Page 30

FIAT car plants in Italy were hit by three hours of strikes and protests following the breakdown of talks on proposals to lay off 24,000 workers for 18 months. Back Page

UNION leaders met the U.S. owners of the Ayrshire Marine Construction oil platform yard on the Clyde which has been threatened with closure as a strike continued. Page 9

VICKERS SHIPBUILDERS said it would begin layoffs at its Barrow yard from September 22 if a strike by 1,500 boilermakers did not end next week. Page 9

LOYD'S of London is to change substantially its plans for improving self-regulation within the Lloyd's market following widespread criticism. Back Page

CENTRAL ELECTRICITY Generating Board will announce plans to build a "mothball" 22 power stations, with the loss of over 3,000 jobs, in one of its biggest closure programmes. Page 8

WORLD OIL shortages will make it difficult for Japan to reach its 1983 oil import target of 6.3m barrels a day, a senior Tokyo official said. Page 4

FRANCE plans to import Australian uranium for peaceful purposes under a draft nuclear transfer agreement approved in Canberra. Page 6

U.S. STEEL has dropped its demands for import duties on several Italian steel products it once alleged were being unfairly subsidised. Page 6

TURNER & NEWALL, the industrial group, reports taxable profits down by £6.6m to £12.2m for the six months to June 30. Overseas trading profits rose to £15.7m (£11.4m). Page 20; Lex. Back Page

UNITED BISCUITS (Holdings) reports taxable profits unchanged at £16.1m for the first 28 weeks, despite a rise in trading profits. Page 20; Lex. Back Page

Howe's tough line on high public sector pay claims

BY ROBIN PAULEY

THE GOVERNMENT yesterday served notice on local authorities that demands for high wage rises in the next pay round must be resisted and concepts of catching up and comparability are dead.

Sir Geoffrey Howe, Chancellor, told the Labour-controlled Association of Metropolitan Authorities conference, in Manchester, that there was no question of the Government funding any high pay awards in the public sector.

In a tough speech, he said if the projected overspend on local authority current expenditure looked like materialising this year the Government would act.

"We will not hesitate to take action necessary to minimise the risk of any overspending," he said.

A moratorium on capital projects was still an option, he said, although he admitted that such a move was the least attractive action.

On pay, which accounts for about 70 per cent of local authority current spending, Sir Geoffrey took an equally strong line. He seemed to be indicating that future settlements will have to be in single figures.

"It is absurd to speak of the need to keep pace with inflation, regardless of circumstances. There can be no question of a norm or the need for catching up," he said.

Claims based on catching up were particularly unfair and resented by those whose pay and jobs were threatened by recession and inflation.

"How can you explain to a man who has just lost his job in industry that a pay settlement based on comparability is only catching up with the pay level he no longer receives?" he said.

The cash limit on that part of local government expenditure, financed through the rate support grant, must be consistent

with what the nation and the taxpayer could afford.

"And so must all our cash limits. Those for the coming year will have to allow for significantly lower increases in cash spending than were allowed for in the present year's limit."

"I hope that we can steer local authority spending back on course. Otherwise, there will be no hope of your achieving the 2 per cent reduction which we have told you we want for next year. A substantial proportion of the reduction must

come from reductions in staff numbers.

The only way to achieve both our monetary objectives and a sustained fall in interest rates is to reduce the public sector's demand for finance.

Local authorities account for more than 11 per cent of GDP and 40 per cent of public expenditure on goods and services. They raise 9 per cent of general Government revenue in the form of rates and employ 12 per cent of the nation's workforce.

On rising rate levels Sir Geoffrey said the most damaging effect was on local industry. Heavy rates could cripple firms, destroy jobs and contribute to pressures towards bankruptcy.

They certainly did not help firms to expand and create greater wealth.

Pauline Clark writes: Sir Geoffrey's warning came only a day after local authority employers' representatives "reluctantly" agreed to accept arbitration on this year's pay offer for 500,000 white collar council workers.

The employers have warned that their 13 per cent offer, backdated to July, cannot be improved without risking jobs and cutting services. The National and Local Government Officers' Association is demanding a 20 per cent increase.

essential, financial aid might be necessary.

While Mr. Shotton did not define the form that such assistance might take, it is understood that ideas being considered include rebates on financing interest charges or special grants. If grants are provided, they may be integrated with other EEC aid programmes, such as funding of new technology projects.

A preliminary EEC report on possible assistance programmes is expected in November. Talks are taking place between the Commission and member Governments.

The response from Britain could be a major influencing factor. The Government has so far taken the line that a policy of "realistic" pricing should be sufficient to stimulate conservation measures and energy-saving investments.

Looking at the more general problem of financing in the light of high energy prices, Dr. Wilhelm Christians, a managing director of Deutschebank, said that the International Monetary

Fund and other official institutions would have to make a greater contribution to the financial needs of the developing countries.

Risks involved in international banking forced commercial banks to adopt a more cautious attitude.

The current-account balances of developing countries could stand at a deficit of \$50bn this year, against a deficit of \$43bn in 1979. Industrial countries could also report a deficit of \$49bn this year.

On the other hand the surplus of member of the Organisation of Petroleum Exporting Countries could rise from the 1979 level of \$50bn to over \$85bn this year.

Dr. Christians criticised OPEC for not making a bigger financing contribution to the Third World. OPEC's aim should be for a "real transfer" of finance via direct credits. Raising of the OPEC Fund by

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Energy Review, Page 5

EEC may give industry aid for energy saving

BY RAY DAFTER IN MUNICH

LARGE process industries may receive European Economic Community aid to help with investment in new energy-efficient plant under a scheme being considered in Brussels.

Over \$7bn (£2.9bn) annually is being spent on such equipment in member-countries. A senior EEC official told the World Energy Conference in Munich that the level of energy-saving investment could double within five to 10 years.

Mr. Robert Shotton, a principal administrator with the European Commission, said that high fuel prices had virtually eliminated energy wastage in the Community. Further improvements in usage of fuel would depend on investments.

Much of the spending would be borne by the energy-intensive sectors of industry such as steel, chemicals and cement. But in many of these cases, he said, the industries were being hit by "structural crises" and low profitability. Some had not the resources to fund major investments.

As such investment was

essential, financial aid might be necessary.

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Globe will cut Electra stake

BY TIM DICKSON

GLOBE Investment Trust, the largest UK investment trust, plans to reduce its stake in its smaller but innovative stablemate, Electra Investment Trust.

In a move announced yesterday it will reduce its holding in Electra from 74.44 per cent to 26.73 per cent through an offer for sale which will raise £30.8m.

Investment trusts are specialist investment companies with their own share capital. For some time there has been an undercurrent of criticism in the City over the way in which some of them have cross-holdings in other trusts.

Mr. Michael Stoddart, a director of Globe, said that the announcement was partly a reaction to this criticism, but it was not the most important

reason.

Globe said that the holding in Electra had become "disproportionate" in relation to the company's total assets, but stressed that the remaining interest would be kept as a long-term investment. Globe's market capitalisation is about £250m.

Electra, which invests in special situations with an increasing emphasis on the U.S., was set up in 1935 as Cables Investment Trust.

Its name was changed when it became public in 1976 and 26 per cent of the shares were made available to the public. At this stage the two major shareholders were Cable and Globe investment trusts, which held 37 per cent each, but subsequently merged in September, 1977.

The directors say that since the stake is already indirectly owned by Globe shareholders "they consider it appropriate to utilise the occasion of such disposal to give Globe's stockholders the opportunity to acquire a direct stake in Electra."

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Lex. Back Page

Low productivity blamed for economic ills

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BRITAIN'S economic problems stem largely from the low level and slow growth of productivity rather than from policy errors or any external constraint, a group of leading U.K. and Canadian economists argue in a major review of the British economy published today.

Consequently, neither import restrictions nor generalised income policies provide any answer.

The study was sponsored by the Brookings Institution, the influential Washington research body with close links to the Carter administration. It examines the origins of the UK's poor economic performance relative to other countries in the past decade and suggests possible remedies.

The project, a sequel to a similar undertaking in 1968, involved research in the UK and extensive discussions with UK economists and policymakers.

The central conclusion is that remedies will not be found either in an overhaul of fiscal and monetary policy or in moves towards protectionism.

The problems are seen as much more deep-seated, relating to Britain's social system and, in particular, to the structure of the labour market.

Professor Richard Caves of Harvard University and Mr. Lawrence Kravetz of Brookings, the joint editors of the study, examine various reasons which have been suggested for Britain's poor performance.

They doubt whether there has existed over the last decade a significant gap between actual and potential output, and hence scope for expansion of demand.

The editors also question whether Britain's performance has been constrained by the balance of payments or by the exchange rate. Similarly, despite policy errors, Britain's economic managers are not held responsible for causing the disappointing performance by inept setting of overall policy instruments.

Instead, the authors concentrate on structural influences,

some of which were examined during the Labour Government's industrial strategy phase while others form part of the Tory administration's supply side approach.

Specifically, Prof. Caves and Mr. Kravetz suggest a direct attack on the productivity problem "by improving industrial relations (if that were possible), by increasing industrial incentives, by improving the allocation of capital (for instance, to small firms) and the like."

Another approach would mean that policymakers could do a better job of living within the constraint implied and convincing the people to do like-

wise. "It is bad enough to endure relative impoverishment; it need not be made worse by inflation."

Other points which emerge are:

● Trade union membership has risen in response to severe unanticipated changes in inflation and this has been linked to increases in strike activity.

● Comparison of British and U.S. manufacturing companies confirms traditional hypotheses about the shortcomings of British management and labour. Consequently, a shift is likely from large-scale assembly industries to smallscale or process industries.

● The highest priority in tax reform should be a simplification of income tax by broadening the tax base and removing the special provisions and reliefs.

● Governments should intervene as little as possible in North Sea oil, leaving companies to decide on the pace of development.

● British financial markets are effective in allocating savings, though the bias in the tax system which helps to encourage the growth of financial institutions may limit sources of money for small companies.

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Editorial comment, Page 18

BL first half loss reaches £120m

By Kenneth Gooding, Motor Industry Correspondent

BL is expected to reveal later today that its pre-tax loss for the first half of the year reached around £120m, equaling the loss for the whole of 1979.

BL had given a warning that there would be a further loss this year but the size of the first-half deficit—indicating that the group might well suffer its worst-ever financial results in 1980—will certainly cause the Government concern.

As recently as July BL said its cash flow would improve from August onwards and that it expected to get through the rest of 1980 on the previously-agreed Government funding and its own resources.

However, it is clear the group will need more than the £130m that the Government has agreed for 1981-83, particularly if it is to go ahead with the LCI0 project involving a replacement for the medium-sized cars in the BL range—the Allegro and the Marina.

Sir Michael Edwardes, the chairman, will almost certainly refer to the forward model programme today and give some more details about the group's financing plans.

The major problems this year have been in the car division, which yesterday announced further cut-backs. One of the three Rover assembly lines at Solihull will be shut down before the end of the year and 450 voluntary redundancies will be needed—100 of them during the next few weeks.

About 2,500 of the Solihull employees are already on a three-day week. The latest reduction will mean that Rover output will be under 20 per cent of the target announced when the model was launched four years ago.

The streamlining of BL is going ahead at a much faster rate than first intimated by Sir Michael in September last year. It is now clear that by the end of 1980, at least 30,000 jobs will have been shed compared with the 25,000 then forecast.

But this is having an impact on the group's finances. Of the 14,000 jobs cut in the first half of this year 8,000 involved redundancy payments. These are unofficially estimated to have totalled around £30m.

BL will also have to take Continued on Back Page

MONEY MARKET AID EXTENDED

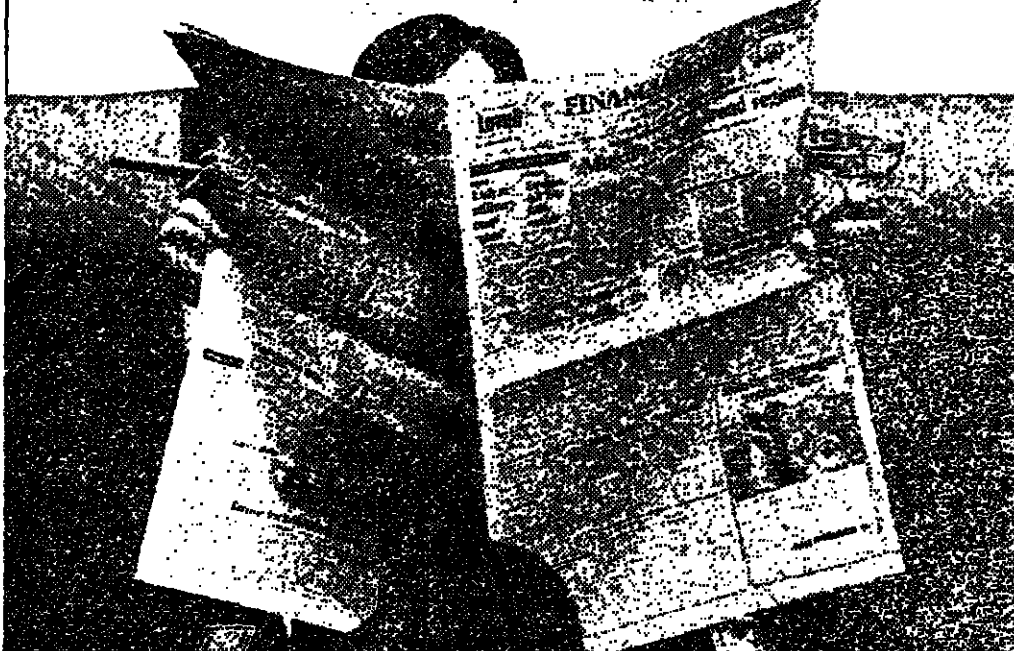
THE BANK of England yesterday extended for a further month part of its financial assistance to the money markets in order to ease shortages of liquidity and to hold down very short-term interest rates. The assistance, a facility of up to £750m, represents a sale and repurchase facility of gilt-edged stock. It was originally due to run out next Monday and has been extended to October 13. This follows a

similar extension last week of £500m of help.

Minimum Lending Rate was left unchanged at 16 per cent. While the news was expected, some of the recent enthusiasm in the gilt market evaporated and there were losses of up to £1. The main attention is now on whether any new stocks are announced this afternoon. At least one issue, possibly with a medium-to-long maturity date, is expected.

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Take the champagne route to Nice.



Only Air France gives you Club Class to Nice. This is the new, luxurious way of flying to the South of France and back. Big, roomy Airbus, flying daily, give you all the style and service you expect from Air France. With only 40 seats per flight, Club Class is all rather exclusive. So, too, are the special check-in facilities and the seat allocation. Flying in the front cabin on the wide-bodied Airbus, you'll have plenty of room to stretch out and relax. A superb 3-course meal is provided en route, together with free drinks (champagne, if you wish) all the way. Sounds extravagant? Perhaps it does, yet Club flights cost only £132.50 single Heathrow-Nice. Isn't it time you took the champagne route? Ask your Travel Agent for full details—or contact Air France direct.

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CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES	FALLS
Arbutnot Latham 240 + 8	Excheq. 10pc 1982-1992 - 1
Asia Land 80 + 3	Treas. 12pc 1982-1992 - 1
Cornell Dresses 88 + 12	Allen Harvey Ross 395 - 15
Dunlop 80 + 6	BTR 363 - 11
Hewitt (J.) 39 + 7	
Hogg Robinson 125 + 7	
Ingram (H.) 21 + 3	
ML Holdings 370 + 20	
Maynards 138 + 8	
Wilson (Connolly) 113 + 7	
Aran Energy 440 + 14	
Can. Pacific Mins. 294 + 2	
Malayan Tin 125 + 13	
S. Pacific Petrol £181 + 1	
Bambers 46 - 5	
British Vita 123 - 9	
Chifford (Ch.) 48 - 14	
Coral Leisure 91 - 3	
Hepworth Ceramic 101 - 5	
Kode Intl. 319 - 7	
Leigh Interests 185 - 7	
Montfort (K. Mills) 68 - 6	
Northern Fords 148 - 5	
Prudential 293 - 5	
Tavener Rutledge 23 - 4	
Uda-Consult 106 - 7	
Utagate 333 - 7	
Utd. Scientific 333 - 7	
Wellman Engineer. 69 - 54	
Double Eagle 600 - 40	
Anglo-Am. Gold £478 - 11	
De Beers Dfd. 478 - 12	
Grosveld 550 - 23	
Possidon 296 - 16	
Western Deep £287 - 11	

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EUROPEAN NEWS

FIAT CONFRONTS ITS UNIONS

Italy faces an autumn of unrest

BY RUPERT CORNWELL IN ROME

A SUMMER of rumour and shadow boxing in Turin is over. The confrontation between management and unions at Fiat over the company's drastic plans to slim its workforce is potentially the most serious and far-reaching labour dispute in Italy for several years.

Not only is it taking place in the company which invariably sets the trend for industrial relations throughout the country, it is also the starkest proof yet of the profound difficulties facing Italy's car industry. The problems in part are those facing manufacturers throughout Europe: a diminishing market and an ever more serious threat from Japan. But they are also of peculiarly Italian origin and can now, it is clear, be ignored no longer.

It is perhaps not too much to say that on the outcome of the negotiations broken off in Turin on Wednesday evening will hinge the ability of big private industry in Italy, ensnared by shrinking competitiveness and low productivity, to carry out the necessary reordering of its affairs.

The alternative, in all probability, is a gradual drift into what the Italians call the *area assistita*, that large segment of the national economy which depends for its survival on state subsidies. The recent experience of Italy's deficit-ridden public sector enterprises, consuming

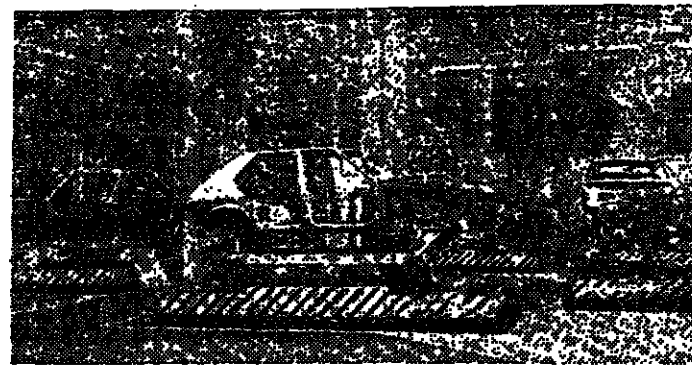
more resources than they produce, offers anything but encouragement.

For the company itself, the present showdown is part of a much wider process of change, as it adapts to bleaker times. Sweeping management changes have been made — most dramatically the withdrawal of Sig. Umberto Agnelli from the front line post of managing director on July 31 to a less exposed berth in the group's financial hierarchy. As his elder brother Giovanni put it at the time: "In Turin, it's Fiat which takes people on, and the Agnellis who do the sacking."

Sig. Giovanni Agnelli served a concrete warning of what was to come at Fiat's annual meeting at the beginning of that month, outlining the company's intention to reduce output by 30 per cent in the second half of this year.

Simultaneously the company, now in the day-to-day hands of Sig. Cesare Romiti, sole managing director and a financial specialist, began soundings on what seems likely to be a major fund-raising operation to provide new resources to underpin the L5,400bn (£2.7bn) investment promised over the next five years.

Fiat's immediate intentions are simply stated. To cope with a decline in sales predicted to last until the end of 1981, the group wants to reduce output



Fiat's computerised automatic welding system at the Rivalta works is one of the world's most modern.

by 20 per cent over the period — in other words to lop 457,000 off the scheduled production of 2,25m vehicles. If nothing is done, Fiat management argues, surplus stocks of 452,000 units would pile up in 1980 and 1981.

Above all, Fiat does not want to repeat the errors of 1974-75, the last cyclical downturn in the car market.

This time, the company is determined at all costs to preserve its investment programme, with the goal of a highly modern range of products, centred on four basic models, when sales start their expected improvement in early 1982.

Hence the unprecedentedly tough line on its proposals to cut its workforce. The original offer, from which Fiat's negotiating team appears to have budgeted little during the three days of talks with the unions, was for 24,000 of the 140,000 workforce in its car division to be laid off completely with state aid until the end of 1981. At that point, half of them, perhaps, might be re-absorbed.

Thus far at least, Fiat has remained impervious to the calls from Rome of state aid for the car sector and a plan to put the industry back on its feet—but implicitly conditional on the company softening its line on

layoffs. The Government fears nothing more than an autumn of labour strife, when the economy's difficulties are already growing, and when its survival depends on the support of the ever-volatile Socialist Party.

The unions, however, see things very differently. They dispute the contention that alternative employment exists in Turin, and will countenance no more than short-term layoffs, early retirement, and greater flexibility within the group, which ironically would have been a real victory for management had it been offered in the boom year of 1979 when Fiat could not produce enough cars to meet demand.

So what now? The Government, inevitably, has been obliged to step in and offer its services as a mediator. And the early indications are that it will lean as heavily as possible on Fiat to water down its proposals.

The poker game goes on. Immediately after Wednesday's breakdown of talks, Fiat announced it could wait no longer, and set in motion procedures for what are believed to be between 12,000 and 15,000 redundancies. The unions took their case to the Government, to Sig. Franco Poschi, the Labour Minister, and declared a three-hour protest strike throughout the Fiat group yesterday.

Community ship output down 42%

By John Wyles in Brussels

EEC SHIPBUILDING output plunged by 42 per cent between 1976 and the end of 1979, and, despite a slight pick-up in orders last year, there are few signs of any real recovery in shipbuilding activity over the next 15 months.

This is the gloomy conclusion of a European Commission report on the Community's shipbuilding industries, which follows on the heels of the Commission's adoption of a proposed directive aimed at curbing destructive competition among EEC shipyards.

The report sees no prospect of any balance in shipbuilding supply and demand before 1984-85. While EEC shipbuilding is languishing, however, the report notes that the yen's depreciation over the past 18 months is giving Japanese yards cost advantages of between 25 and 65 per cent over their EEC counterparts.

The Organisation of Economic Co-operation and Development disclosed this week that Japan had captured 85 per cent of all available new orders in the first six months of this year.

French budget aims for FFr2bn oil windfall taxes

BY TERRY DODSWORTH IN PARIS

THE French Government is aiming to raise about FFr 2bn (£200m) additional revenue next year by taxing the windfall oil company profits which have arisen from the dramatic rise in energy prices during the last 18 months.

Behind the budget measures are two main objectives. On the one hand, the authorities want to siphon off exceptional earnings from the exploitation of oil and gas resources in France.

On the other, they are aiming to speed up the investment in new explorations by taxing the available money for research if it is not spent quickly.

The new regulations are particularly significant for ELF, Agip and Compagnie Française des Pétroles (CFP), the two national oil companies in which the State has substantial stakes. But they are also expected to affect Esso and, to a lesser extent, Shell.

ELF, which has been at the centre of an acrimonious argument with the Government this year about the use of its profits (FFr 5.5bn in 1979), will be particularly hit by the first of the new provisions. This is an increased tax on profits arising from the exploitation of wells in France, notably the Lacq gas deposit, from which ELF realised an additional FFr 270m last year, solely as a result of price increases.

Lacq had until now been largely exempt from exploitation taxes of this kind; it is now being re-integrated.

Alongside ELF the main company to be affected by this change in Esso, which is working an oilfield in south-west France, and whose tax burden is expected to increase by around FFr 200m.

The second change in the regulations is designed to allow the tax provisions allowed

against exploration for new deposits (known as the PRG). This is expected to raise the bulk of the additional revenue which the Government is aiming to generate from the industry—some FFr 1.4bn in 1981.

Under the existing system, companies can deduct research expenditure from their profits up to a ceiling of 23.5 per cent of turnover on their wells and 50 per cent of the profits from these parts of the business.

These rules are now being changed in two ways. First, the gradual relief system is to be gradually abandoned. The Government justifies this move on its grounds that profits are high enough today to ensure continuing exploration.

The change in the regulations have been designed to work clearly in favour of increasing the search for energy in France. In principle, the amount of PRG finance on which the oil companies are entitled to charge depreciation is now to be re-integrated into taxable profits, thus escaping the taxman only once.

However, only 20 per cent of these "depreciatable" PRG funds are to be brought back into taxable profits during the next 10 years for research undertaken in France; overseas, however, the proportion of PRG finance which will have to be re-integrated will amount to 60 per cent during the next five-year period.

Second, the Government is to reduce drastically the time in which allowances against the PRG can be used—from five years to one—with the clear aim of speeding up exploration work, especially in France.

This move clearly fits in with the current target of accelerating the search for energy, by giving out more exploration licences to the home-grown companies.

France plans 18% defence spending rise

BY ROBERT MAUTHNER IN PARIS

THE FRENCH Government has made a special effort in the field of defence in its 1981 draft budget, approved by the Cabinet on Wednesday, in spite of a general restriction of public spending which has affected most departments.

Defence spending will rise by nearly 18 per cent next year to FFr 104bn (about £10.4bn) excluding military pensions, which is equivalent to 3.85 per cent of GDP. This compares with an increase of only 16.4 per cent in total public expenditure.

Though the sharp rise in the price of petrol and fuel oil will absorb a substantial proportion of the military budget, the authorities have made sure that spending on new equipment will also be increased. Military equipment allocations for next year have risen by 22.6 per cent to FFr 64.4bn—three times the rate of increase for civil equipment.

In an address to the French Institute of Advanced Defence Studies yesterday, M. Raymond Barre, the Prime Minister, said that if the neutron bomb was adopted by France, it would



M. Barre... own master

become part of a whole panoply of weapons. There was no question of making the country's whole defence system dependent on the neutron bomb.

The Prime Minister said that France intended to remain master of its own military destiny and would refuse to be drawn into conflicts in which its vital interests were not threatened.

Madrid delegates quiet on East-West differences

BY ROBERT GRAHAM IN MADRID

AFTER TWO days of closed session talks here delegates from 35 states preparing for the third conference on co-operation and security in Europe have continued to play down the major underlying differences between East and West Europe.

The meeting, which was formally opened on Tuesday, is entirely procedural, designed to draw up an agenda and the framework for a full conference beginning in November.

It is the November meeting that will go into the substance of the West's complaints that the Soviet Union and its East European allies have failed to live up to their commitment agreed in the Helsinki Act of 1975.

According to spokesmen for various Western delegations, commenting on the closed door session, the speeches have been in a low key. In particular, the chief U.S. delegate Mr. Max Kampelman who spoke yesterday was careful to avoid all polemics underlining the U.S. commitment to make a success of the November meeting.

"We prepared for this meeting with sensitivity because we wish the November meeting to be successful," he was quoted as saying.

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British Tories in EEC oust Plumb over CAP reform

BY LARRY KLINGER IN BRUSSELS

THE European Democratic Group, the 64-member European Parliament faction dominated by the British Conservatives, has stripped the agriculture working party of its chairman, Sir Henry Plumb, and several other members who have been criticised within the party as being unsympathetic to radical reform of the Common Agriculture Policy (CAP).

While the group yesterday played down the significance of the reshuffle, pointing out that the changes were part of an annual readjustment of committees, the new working party, unlike its predecessor, will have as its main priority the task of suggesting possible reforms of the CAP.

Mr. James Scott-Hopkins (EMP, Hereford and Worcester), who, as European Democratic leader, made the changes during the July session of the European Parliament, has asked the new working party to propose before the end of January guidelines and options which could form the basis of his group's policy on reform.

Removed from the working party are four of the five members who at the time also sat on the Parliament's Agriculture Committee, the most prominent of whom is Sir Henry (EMP, Cotswolds), who, as the current chairman of the parliamentary committee and a former president of Britain's National Farmers' Union, is a leading figure in European agricultural affairs.

Sir Henry has been replaced as chairman of the working party by Mr. Andrew Pearce (EMP, Cheshire West), an outspoken critic of some aspects of the CAP. The only member retained who still sits on both committees is Mr. David Curry



Sir Henry Plumb

(EMP, Essex North-East), who also remains the European Democratic spokesman on agriculture.

Mr. Pearce said that under his chairmanship the working party would take a long-term view of the CAP's future. The working party would probably not concern itself with next year's farm prices review but would look for proposals on how "adaptations in the CAP" could serve the wider economic interest.

The reshuffle does not, however, alter the group's plan for a one-day seminar on agriculture to be held on October 1 at the Europa Hotel, London. The Socialist Group, which is the largest faction in Parliament, has already launched a new study of the CAP. A special working party under the chairmanship of Mrs. Barbara Castle (EMP, Greater Manchester North) plans to produce a policy document "to secure fundamental changes in the CAP before the next farm price discussions and as part of the discussions on the budget."

Yugoslavia in \$1.3bn ship deal with Russia

By Anthony Robinson

YUGOSLAVIA'S ailing shipyards have received a major boost from the Soviet Union, which has agreed in principle to purchase 98 ships worth \$1.3bn over the next five years.

The agreement between the Yugoslav shipbuilding corporation, Jadranbrod, and the Soviet ship importing corporation, Sudimport, provides for the construction of 56 ships at coastal yards and 42 smaller vessels.

The agreement still has to be ratified by the two Governments but is expected to double the value of ship exports to the Soviet Union compared with the present five-year plan period which ends in December.

The new agreement is a reflection of the Soviet desire to forge closer economic links with Yugoslavia. The non-aligned country has remained outside Comecon and the EEC but has special agreements with both. It aims to ensure that its overall pattern is evenly balanced between its two major trading partners. In recent months, however, Yugoslavia has found it much easier to increase its exports to Comecon than the EEC, and the latest contract indicates that this trend could well continue.

EEC oil imports fall 12%

BRUSSELS — European Community member countries imported 12.5 per cent less oil in the first 84 months of 1980 than in a comparable period last year, the EEC Energy Commissioner, Herr Guido Brunner announced yesterday.

Herr Brunner said the reduction proved, "not only the readiness on the part of the ordinary citizen to save oil, but also the success of Community efforts to co-ordinate their energy saving measures."

The Nine had imported 313m tonnes of oil so far this year, 4m tonnes less than the comparable period in 1979, he said.

"On the basis of present figures, the Community will easily undershoot the target figure of no more than 472m tonnes of imports this year," Herr Brunner said.

In April, the EEC Commission estimated that, even if imports were kept to 460m tonnes, the Community would pay about \$100bn for oil in 1980, \$25bn more than last year. A.P.

Norway lifts proven gas and oil reserves

OSLO — Norway's proven recoverable oil and gas reserves have been revised upwards from 1.7bn tonnes to 2.1bn tonnes, a Ministry of Oil and Energy official said yesterday. Estimated but not proven reserves of oil and gas on the Norwegian continental shelf south of the 62nd parallel in the North Sea were now put at between four and five billion tonnes, he said.

Production in the 1980s was expected to amount to 15-20 per cent of the gross national product, 35-40 per cent of Norway's exports and 20-25 per cent of state revenues. The official said investments in the offshore oil industry amounted to Nkr 47bn (\$9.7bn) in the 1970s. They were expected to rise to between Nkr 125-195bn (\$25-39bn) in the 1980s in the North Sea alone.

Reuter

Brezhnev and Polish deputy agree on closer co-operation

BY DAVID SATTEN IN MOSCOW

THE Polish deputy Prime Minister, Mr. Mieczyslaw Jagielski, yesterday met with Mr. Leonid Brezhnev, the Soviet President, for talks which are believed to have dealt with long-term plans for keeping the unprecedented political situation developing in Poland under control.

The Soviet news agency, Tass, said that the meeting passed in a "warm and friendly" atmosphere and the two men discussed "consolidation and development" of "all-round" relations between the Soviet Union and Poland.

Mr. Jagielski has met with about Soviet aid to Poland

and he had a meeting on Wednesday night with Mr. Mikhail Suslov, the chief Soviet ideologist, which may have touched on the spread of the free union movement in Poland, including the formation of free intellectual and professional unions.

The Tass report on Mr. Jagielski's meeting with Mr. Suslov said the two "exchanged opinions on questions of mutual interest," a phrase indicating a degree of disagreement.

Mr. Jagielski's visit to the Soviet Union is the first by a Polish leader since the out-Soviet economic officials break of strikes which resulted in Polish Government

agreement to independent trade unions and Tass said that in Mr. Jagielski's talks with President Brezhnev it was agreed that the efficiency of Polish-Soviet economic co-operation should be enhanced.

Tass said this should be accomplished both on a bilateral basis and within the framework of the Council for Mutual Economic Assistance. The Communist Party newspaper, Pravda, yesterday, in a report on a speech by Mr. Stanislaw Kania, the new Polish Communist Party leader, said Mr. Kania was outlining steps to strengthen the contacts of the Polish Communist Party with the work-

ing class. At the same time, Pravda quoted Mr. Kania, with apparent approval, as saying that the struggle in Poland against anti-Soviet elements was continuing.

The newspaper quoted Mr. Kania as vowing that the Polish Communist party leadership would "emphatically resist attempts to violate order, unwarranted actions and relaxation, halting of workers who are honestly and devotedly working for the benefit of Poland."

Anthony Robinson writes: The Czechoslovak authorities have reacted to events in Poland in the by now traditional way of leading the

communist world's press attacks on "anti-Soviet activities" in that country and by arresting dissidents in Czechoslovakia itself.

According to Czechoslovak emigré sources in Vienna a police swoop on Tuesday led to the arrest of 11 people accused of having sent a letter of support to striking Polish workers.

Those detained included the Foreign Minister under the former Dubcek regime, Mr. Jiri Hajek and the former Education Minister, Mr. Vladimir Kadlec as well as Charta 77 spokesperson, Ms. Marie Hromadkova and other prominent dissidents.

The end of patience at Poland's sulphur mines

TARNOBREZG, Poland — "All of us have stomachs of roughly the same size," said the white-haired worker at the closed gate of the Kopalnia Machow sulphur mine six miles south of here. "We want to fill them. We have the right to a decent existence."

Delivered in a tone of quiet determination, without anger, the statement touched the core of grievances which brought production at one of Poland's biggest sulphur mines to a halt on Wednesday last week — long after workers on the Baltic coast and in the Silesian coal-fields returned to work.

Since September 3, a 10-man strike committee representing the 2,000 workers at the Machow sulphur mine have been negotiating with the government a list of 28 demands, from higher pay and better working conditions to improved schools and limits on the powers of security police.

Tarnobrzeg, in the south-eastern corner of Poland, is one of a string of towns still affected by strikes despite warnings by the Communist leadership that striking workers were pushing

the country towards economic disaster.

But some of the local grievances go so deep that speeches and statements make little impression on disgruntled workers.

"Our problems have existed since the mine started operating 20 years ago," a miner said. "Prices are so high that you have to work all day for a kilo of sausage—if you can get it."

"Most of us here at the mine are peasant farmers, around 70 per cent of the work force, who tend a patch of land and commute to work."

"Peasant workers have a reputation for patience and they (the Government) thought we would take everything for ever. But our patience has come to an end."

Working conditions considered unhealthy apparently played a major role in the chain of events which led the sulphur miners of Machow to down tools, three days after striking coalminers in Silesia returned to work.

"My father-in-law ruined his health in the sulphur mine," reported a middle-aged worker. "You know how much he gets



industrial diseases caused by exposure to sulphur, and an improved system of recreational leave.

"Our requests are modest," said a member of the strike committee. "I don't think people in other countries would have to work in conditions as unhealthy as ours."

One of the points on the committee's list provides for the introduction of full miners' privileges on the pattern of those enjoyed by workers in the Silesian coal fields, traditionally the focus of government attention because of the area's great economic weight.

"We do the work of miners but don't get as many privileges as our colleagues in Silesia because we are considered part of the chemical rather than the mining industry," one strike leader explained.

Average monthly pay at the sulphur mine, according to workers, runs at around Zl 6,000. Point four of the demands provides for an average Zl 1,500 per month cost of living increase to be distributed in line with a scale worked out by the strike committee.

"Look at the prices in the shops and you realise this isn't an excessive demand. After all, a kilo of sausage costs at least Zl 140 (\$4.50), the strike leader said.

"And there is a great disproportion in the distribution of money. The managers don't have to count the pennies like we do, they don't have to queue for meat like we do—they get it through the back door."

In the past few days, the Polish Communist Party has suggested that "anti-socialist elements" shared responsibility for the continuing labour unrest in Poland, an accusation dismissed as "bald-faced slander" by one of the workers here.

The Machow strike leaders include members of the Communist Party, and vice-committee chairman Jerzy Miszlinski is also the head of the Communist-controlled official trade union.

Workers here were cautious in their comments on the establishment of trade unions outside party control, a major concession won by strikers on the Baltic coast.

Reuter

'Western inflation down'

BY DAVID WHITE IN PARIS

INFLATION IN the industrialised West dropped to 0.5 per cent in July, the lowest monthly rate since 1978. The increase since the same time last year fell to 12.8 per cent from 13.8 per cent in June.

But the Organisation for Economic Co-operation and Development said that the slowdown was largely due to coinciding developments in the three largest countries, and that inflation among the remainder of the 24 OECD member countries remained high.

The main reasons behind the lower July increase, which compared with 0.9 per cent in the two previous months and 1.3 per cent in April, were the drop in U.S. mortgage rates, the effect of falling spot oil prices on West German energy costs and a slower rise in Japanese non-food prices.

Turkey continued to hold the position of the OECD's highest-inflation country, with an annual rate of 89.2 per cent. Switzerland was at the bottom of the scale with 2.3 per cent.

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OVERSEAS NEWS

Fraser calls elections for October 18

BY PATRICIA NEWBY IN CANBERRA

AUSTRALIA'S Federal election will be held on October 18, Mr. Malcolm Fraser, the Prime Minister, announced last night. The election has been called two months before the three-year term of office expires for the Liberal-National Country Party's coalition Government to avoid coinciding with the Queensland State elections, scheduled for December. According to opinion polls, which are reasonably reliable in Australia because voting is compulsory, Mr. Fraser's coalition should be returned

with a reduced majority. At present, he holds a 49-seat majority in the 124-seat House of Representatives—the second highest majority on record for Australia, the highest at 55 seats, was won by Mr. Fraser in 1975.

Preferences

The opposition Labor Party, led by Mr. Bill Hayden, needs an across-the-board sweep of 6.1 per cent to win. Although Labor is ahead in the opinion poll on a first-past-the-post basis, it trails the coalition

when preferences of minor parties are taken into account. The House of Representatives is elected on a preferential voting system. Labor has already announced its campaign slogan "Raise the Standard" and will campaign on "the erosion in family living standards" in the past five years and unemployment, at present 5.9 per cent. It will also attack the Fraser Government's policy of pricing domestically-produced crude oil at world prices, and has promised a 12-month freeze on petrol prices, if elected.

Mr. Fraser has not announced his campaign strategy beyond previous statements that the Government will be standing on its record of "responsible" economic management. The coalition is expected to campaign on broad national issues such as resource development and defence.

Charismatic

Mr. Bob Hawke, the charismatic former President of the Australian Council of Trade Unions, who consistently outpolls both Mr. Fraser and Mr. Hayden as the public's choice for Prime Minister, will enter

Parliament for the safe Labour seat of Wills in Victoria.

If Labour wins, Mr. Hawke will be Minister for Labour. If it loses, he is expected to challenge Mr. Hayden for the leadership. An election for half the Senate will also be held on October 18. The 64-seat Senate is elected for a six-year term, half its members coming up for re-election every three years.

Mr. Fraser is expected to lose his present majority in the Senate with the balance of power after the election being held by four or five Australian Democrats led by the former Liberal Minister, Mr. Don Chipp.



Mr. Malcolm Fraser

Japan warns on oil shortages

BY RICHARD C. HANSON IN TOKYO

JAPAN'S SENIOR representative to the International Energy Agency (IEA), said yesterday that world oil shortages will make it difficult for Japan to reach its 1985 target for oil imports of 6.3m barrels a day. Mr. Naohira Amaya, a Vice-Minister for International Trade and Industry, warned businessmen not to count on the availability of that much oil in formulating strategies over the next few years.

Under present IEA projections, agreed at the 1979 Tokyo summit meeting, Japan's imports of oil were expected in 1985 to rise by about 17 per cent from the present 5.4m barrels a day "ceiling" on imports. Japan's imports this year are already falling below the 5.4m level, mostly because of slackened demand, but in future supply shortfalls are likely to re-emerge as the main problem.

Mr. Amaya said the Government has not yet considered revising its economic growth projections to account for the possibility of less oil availability. Private studies have indicated that constraints on energy supplies, including oil, will mean slower rates of growth than officially projected at present.

At the time of the Tokyo summit meeting, Japan was

allowed to project a sharper rate of increase in oil imports by 1985 than the other participating countries.

The U.S. and West Germany expected imports to level off, while the UK will become an exporter. Italy and Canada expected to increase imports but by smaller amounts than Japan.

Meanwhile, Japanese oil importers report that there has been no progress in reopening oil imports from Iran. Shipments were stopped in April when the Japanese and other international oil companies refused to accept an increase in the price of Iranian crude to \$35 per barrel. Since then, a softer market for spot crude has made the offer even less attractive.

The Ministry of International Trade and Industry (MITI), however, believes there will be no problems with supplies this year as the country enters the peak period of winter demand. Japan's stockpiles of oil are now well above the 100-day supply level.

Reuter reports from Tokyo: A fleet of eight British warships, including the 5,440-ton guided missile destroyer Antrim, arrived off Japan yesterday and made port calls at Tokyo, Yokohama and Yokosuka.

Iraq claims victory in border skirmish with Iran

BY PATRICK COCKBURN



IN A significant escalation of the border skirmishing between Iraq and Iran, Iraq claimed yesterday to have liberated 50 square kilometres of its territory on the border with Iran.

The Iraqi Defence Ministry claimed that it had destroyed three Iranian planes, including a Phantom jet fighter, and 29 tanks in fighting around the Iranian border crossing of Qasr-e-Shirin. It claimed that Iraqi losses included three tanks, three troop carriers, six soldiers dead and 14 wounded.

Over the past six months, the

Iranian authorities have frequently given colourful accounts of fighting with the Iraqis in the border region which diplomats in Tehran have usually discounted as being heavily exaggerated.

In Tehran yesterday, the army claimed to have shot down three Iraqi aircraft and to have lost one of their own helicopters. Mr. Saddam Hussein, the Iraqi President, said recently that he does not want a wider war with Iran, and claims no territory other than that which has been taken under old treaties which are not accepted

in Baghdad. The wedge of territory in which the fighting is taking place appears to be that allocated to Iran by a treaty signed with Iraq in 1975. The area is broken hill country on the edge of the Mesopotamian plain inhabited by tribes of uncertain allegiance.

An Iraqi Defence Ministry official said yesterday that Iraqi soldiers "had liberated all the Iraqi territories which the Iranian authorities had failed to return in compliance with international agreements."

In the past, the Iraqis have

given heavy support to Arab separatist guerrillas in the Iranian oil province of Khuzestan. Earlier in the year, Iran attributed the takeover of the Iranian Embassy in London to the Iraqis.

Iraq has also given some financial and military support to dissident Kurdish tribes west of the city of Kermanshah. Some arms are believed to have gone to Kurdish rebels fighting the Iranian army further north. Iran has responded by supporting the anti-Government organisations among the Shia

sect who make up more than half of the Iraqi population. The Government in Baghdad and the ruling Ba'ath party is predominantly Sunni.

In response to the threat from its own Shia population, the Iraqi Government has expelled almost 40,000 people, mostly from the Baghdad area.

Both Tehran and Baghdad have conducted vitriolic propaganda campaigns against each other but in the past appear to have tried to keep the fighting to the level of border skirmishing.

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Kenya halts Uganda coffee

By John Worrall in Nairobi

KENYA has halted shipments of Uganda's vital coffee exports through the port of Mombasa, Ugandan officials said yesterday. The move is the latest and most serious sign of deteriorating relations between the two countries at a time when growing security problems have made it increasingly unlikely that the ruling six-member military commission can fulfil its pledge to hold elections by the end of this month.

Kenya Press reports have blamed the stoppage on inadequate security along the rail and road route through eastern Uganda. The bulk of the estimated 120,000 tonne crop, which provides over 80 per cent of Uganda's export earnings, is shipped through Kenya to Mombasa.

Officials at the Coffee Marketing Board (CMB) add that even if the route were reopened, strike by more than 1,000 workers at a major processing plant near the capital, Kampala, would halt loading.

Uganda says that 154 wagons, 85 of them containing coffee, are waiting at the Uganda border town of Tororo.

Recent weeks have been marked by sharp exchanges between the two countries. President Daniel arap Moi of Kenya has been highly critical of the military commission's inability to restore law and order.

His broadly capitalist Government looks with alarm on the prospect of the former Ugandan president, Dr. Milton Obote, returning to power and reintroducing socialist policies.

Shortly after taking office, Mr. Paulo Mwanga, chairman of the military commission which overthrew President Godfrey Binaisa in May this year, promised all-party elections and a return to civilian rule by the end of September.

Kim denies prosecution charges

Defence lawyers yesterday denied prosecution charges that Kim Dae-jung had tried to overthrow the South Korean Government. Reuter reports in a censored dispatch from Seoul. Earlier, martial law prosecutors had demanded the death sentence for the former Presidential candidate, and sentences of three to 20 years' jail for 23 other accused.

OPEC aid call

Indonesia would like to see aid from the Organisation of Petroleum Exporting Countries (OPEC) more equitably distributed, Minister Kasmanudjaja, the country's Foreign Minister, said. Reuter reports from Jakarta. Speaking after a briefing with President Suharto on next week's OPEC meeting in Vienna, the Minister denied the organisation was paying insufficient attention to the needs of the developing world.

India security move

Security measures on the border between the north-eastern Indian State of Nagaland, and Burma, are to be stepped up, after recent clashes between rival Naga groups in which at least 22 people died. Reuter reports from New Delhi. In the latest clash, 10 members of a pro-Communist Naga guerrilla group which crossed from Burma were killed in an ambush.

UN \$50m for China

A United Nations agency has agreed to give China \$50m to help its population control programme. AP reports from Peking. Under the accord, the UN Fund for Population Activities will allocate \$14m to help China's first national census in 15 years, scheduled for next year.

S. African black guerrilla reprieved from execution

BY QUENTIN PEEL IN JOHANNESBURG

THREE South African judges yesterday reprieved a black nationalist guerrilla, James Mange, from a death sentence for high treason, following an international campaign for clemency.

The death sentence for treason—the first to have been passed by a South African court for 30 years—was overruled by the Appeal Court in Bloemfontein. South Africa's supreme court of appeal. Mr. Mange had been convicted on charges of plotting to attack a police station. He will now serve 20 years in jail.

Mr. Justice Rumpff, Chief Justice, agreed that the death sentence had not ordinarily been imposed in South Africa for high treason, which "mostly originated from

situations in which military forces were only engaged against persons who could be called rebels."

But he said that the politically motivated violence of recent years could only be called terrorism, and as such, a change in the attitude of the courts to high treason would not be unjustified.

The sentence on Mr. Mange, a member of the banned African National Congress, caused an outcry in South Africa and internationally, because he was not found guilty of any murder.

His reprieve coincides with a new trial of nine ANC members, charged with taking part in or planning an attack on a police station and the seizure of civilian hostages in a Pretoria bank in February.

Alcohol-petrol goes on sale soon

A BLEND of petrol and alcohol is to go on sale in South Africa from next month, in the latest move aimed at reducing South Africa's dependence on imported crude oil, Mr. F. W. de Klerk, Minister of Mineral and Energy Affairs, announced last night.

The blend would be sold in place of normal premium grade petrol at selected petrol stations throughout the Witwatersrand area, South Africa's industrial heartland, he said.

As additional volumes of alcohol become available, the marketing area and the number of filling stations will be enlarged.

The move is the latest step in South Africa's campaign to reduce its dependence on imported crude oil, in addition to its investment in the three Sasol oil-from-coal plants.

Several plants are on the drawing board for a big increase in the production of ethanol in South Africa, including a plan to produce an annual 100 litres a year by the AECI chemical group.

Shell South Africa, and the Anglo-American Coal Corporation.

FT/129

ENERGY REVIEW: WORLD ENERGY CONFERENCE

BY RAY DAFTER IN MUNICH

DIL: Total Amount Still Recoverable

The case for a balanced mix of fuels

WHEN THE World Energy Conference opened in the 1972 Olympics host city of Munich at the start of this week, it was told by the Lord Mayor that they were taking part in the "Energy Olympics." But there was no celebration, no rejoicing in this Olympiad there was only sombre recognition that energy is the most dangerous obstacle in the way of world peace and economic equilibrium.

Chancellor Helmut Schmidt of West Germany set the tone when, in a heavyweight opening address, he described energy as not only a "central problem of human coexistence but also of the future of mankind as such." Developing countries in particular were being crippled by high oil prices, he said. The West could help, by taking the pressure off oil demand and by developing alternative forms of energy.

Coal was once the dominant fuel. Today oil accounts for 52 per cent of world energy needs. But Chancellor Schmidt made it clear that in future there would have to be a mix of fuels: coal, oil, gas, nuclear power and renewables. It would be "economically wrong" and "ecologically fatal" to concentrate on one energy source he said.

The need for such a broad brush approach was demonstrated in the scores of papers and speeches delivered this week. Take the case of coal which now provides a little over a quarter of the energy needs. It is conceivable that coal supplies could double by 1990 and triple by the end of the century when production might be around 5.8bn tonnes.

There is plenty of coal about. Proven reserves of hard coal and lignite stand at more than 3 trillion (million million) tonnes—almost 24 times the equivalent for oil. But major energy consumers have to be persuaded to switch to solid fuel, a change which is taking much longer than the world coal industry would like. And time is running out if the hoped for high growth rates for coal are to be achieved. All major coal projects have long lead times and, as explained in last week's Energy Review, it takes at least five to ten years to put a major coal expansion into high gear.

Development of a world trade in solid fuel, in particular in steam coal, is essential for this rejuvenation of the coal industry. Total international trade is expected to grow by four or five times to the tonnes a year by AD 2000. Steam coal trade might grow by 10 to 15 times.

To achieve this level of trade coal companies will have to order something like a thousand ships, of some 100,000 tonnes dwt, each costing around \$40m. New ports, terminals and

CRUDE OIL PRODUCTION 1979 and 1985 (million/barrels per day)			
Area	1979	1985	1985 projections
OECD	15.3	14.4-16.9	
of which: United States	10.7	9.1-10.3	
Canada	1.7	1.5-1.7	
Western Europe	2.5	2.5-4.5	
Japan	0.4	0.3-0.4	
Australia/New Zealand	0.4	0.3-0.4	
Less Developed Countries	5.3	7.2-9.4	
of which: Latin America	3.0	4.3-5.5	
Africa	0.9	1.2-1.7	
Asia and Middle East	1.4	1.7-2.2	
OEPEC	31.3	29.1-36.2	
Total world excluding centrally planned economies	52.0	47.7-58.5	
Net exports from centrally planned economies	0.8	0.0-1.0	
Total available free world oil	52.8	47.7-59.5	
OEPEC percentage share in total world	59.3%	61.0-61.9%	

* Figures include natural gas liquids Source: OPEC

rail facilities will have to be built. The U.S. especially will have to carry much of the burden of this trade expansion. The logistics are awesome.

The development of the U.S. coal industry might require nearly 700 new mines during the next 20 years, the construction of 10 1,000-mile long slurry pipelines, and 8,200 new railway trains, 300 barges, and 18,000 lorries. The cost of all this is put at \$11.6bn (in constant 1977 dollars). No wonder Mr. Michael Parker, director of Britain's National Coal Board's central planning unit, was moved to comment: "Whether the U.S. will in fact make large export tonnages available is a crucial question in the development of steam coal trade."

The natural gas industry is also expecting, or at least hoping for, a continued increase in world trade. In the past decade international deliveries have almost quadrupled, to 150m tonnes of oil equivalent (toe) and on the basis of present supply contracts they will rise by a further 60 per cent by 1985.

Because of the special nature of this trade—it requires purpose-built facilities for each trading route, whether by pipeline or by LNG carriers—there are particularly close ties between the exporting and importing parties. This should provide a greater degree of security than with other energy supplies. But, as has been seen in the recent pricing rows between the U.S. and Algeria, supplies may not be wholly assured.

What is more the growth of the LNG trade could be blunted by groups opposing the construction of facilities on environmental and safety grounds. [A constant complaint heard in Munich has been that major

energy projects have been delayed or scrapped as a result of environmental pressures. It was with an air of some disdain that many of the delegates ignored the small snafu of anti-nuclear protesters, demonstrating in a mild manner outside the Olympic Stadium during the opening ceremony.]

Nuclear power was seen by most conference delegates as a cornerstone of any world energy policy. Dr. Ulf Lantke, executive director of the International Energy Agency, said that to achieve a reasonable

energy balance—with less dependence on oil imports—nuclear output in developed countries must increase 21 times by 1990 and five times by AD 2000. According to World Energy Conference forecasts nuclear power could provide almost 13 per cent of total world energy production by the turn of the century and a surprising 31 per cent by AD 2020. (This compares with less than 1 per cent in 1972). If the AD 2020 projection became fact, nuclear power could then be providing three times as much energy as oil.

But will this all come about? On the positive side, in the past three years 34 reactors with total capacity of 28.5 gigawatts have been commissioned in the western world. Nuclear growth is running at 9 per cent a year and, on the basis of current plans, by 1985 energy production from nuclear plant in OECD countries could reach the equivalent of a quarter of total oil imports.

However, a brake has been applied to this trend in the West. In the same three years 36 plants (34.4 gigawatts) were ordered while 48 projects (50 gigawatts) were cancelled, 32 of them in the U.S.

Dr. Lantke pointed out that last year only seven units began operation, were under construction or were ordered world-wide. However, he is still hopeful. There were already signs of opposition to nuclear power receding in Europe. "I am convinced that within the

next 10 years nuclear energy will be a publicly accepted technology."

The plight of the non-OPEC developing countries has been a matter of paramount concern in Munich. For there has been a general recognition that by moving too slowly away from oil dependence the West has underpinned OPEC's demands for higher prices. This in turn has led to Third World countries having to spend far more than they can afford on their own relatively modest oil imports.

Chancellor Schmidt provided the telling example of Costa Rica. In 1972 its people could buy one barrel of oil by selling 28 kilograms of bananas. Today Costa Rica has to sell 420 kilograms to earn sufficient for the same amount of oil. A third of India's proceeds from exports were needed for oil, he said. In the case of Brazil the proportion was 40 per cent, for Turkey it was 60 per cent.

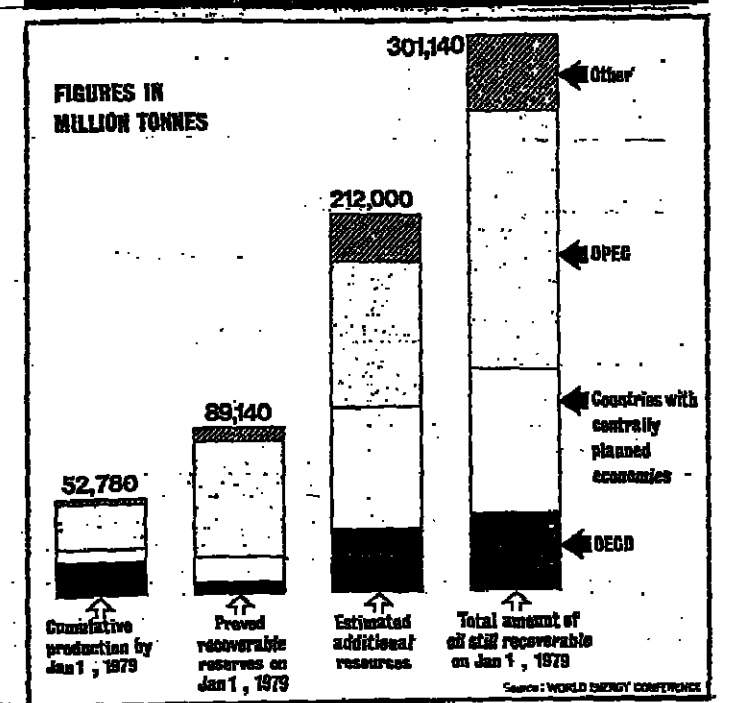
The development of renewable energy—solar power, wind and biomass (plants for fuel)—and nuclear power will obviously help to meet the Third World's fuel needs. But there was a general conference consensus that oil would remain the most effective "energy carrier" for the poor countries striving to raise their living standards in the next few decades.

The developing countries' oil needs could add pressure to the already tight supply and demand pattern. Total Third World energy demand could

grow from 445m tonnes of oil equivalent (toe) in 1976 to over 5bn toe in AD 2000 and 10bn toe in AD 2020 according to conference estimates. The growth will arise for two basic reasons: the massive rise in population (world population is expected to increase by 50 per cent in the next two decades, some 90 per cent of this rise in developing countries) and through improved living and working conditions.

The per capita consumption of the Third World could rise from 0.6 toe in 1976 to 1.1 toe in AD 2000 and 1.5 toe in AD 2020. Not that this is anything to shout about. During the same period the average person in an industrialised country is likely to increase his consumption from the present 5 toe to 8 or 9 toe. So the gap between rich and poor will widen.

How will the Third World pay for its imported oil? This year developing countries will pay \$35bn more for oil than in 1979. Will OPEC and the Communist countries provide more financial aid to cover these and future price increases, as Chancellor Schmidt would like? And who is to help the Third World fund its energy investment which is expected to form a substantial slice of the \$10 trillion (million million) to be spent on world fuel and power projects over the next 20 years? According to recent projections by the OPEC secretariat, non-OPEC developing countries will have to spend \$228.7bn on energy projects between 1978 and AD 2000. Some \$155bn of this could be



spent on oil-related projects. Will the oil be available? At least 38 of the oil deficit Third World countries have prospects of finding significant quantities of oil or gas. But they will need the technical help of major oil companies which are neither favoured nor encouraged by many of the governments concerned. There seems little alternative in the short run to developing countries continuing to rely on imports. Here is the rub. OPEC expects that over the next five years demand for its oil will, at best, drop by only 7 per cent from last year's level, at worst increase by almost 16 per cent. What is more significant, OPEC's share in world production is likely to increase given higher prices—is evident. The world is still heavily indebted to the oil producers. As conference delegates depart from Munich at the end of this week's session today they should be asking themselves whether, in the three years since the previous conference in Istanbul, sufficient progress has been made in restructuring and securing world energy supplies. If they are honest, they will answer no. And if more progress is not made before the next World Energy Conference they will have to answer to the Third World. Fittingly, that meeting will be held in New Delhi.

BARCLAYS BANK HELPS OTIS GET THINGS MOVING ON HONG KONG'S NEW METRO.

The Otis Elevator Company of United Technologies Corporation has installed its world famous elevators and escalators for Hong Kong's first 'Metro', the new mass transit rail network which carries 500,000 people each day on this densely populated island.

For this project, Barclays Bank International in New York and Hong Kong smoothed the way through the problems of multi-currency financing. We came up with an international credit package, created specifically for Otis, which included protection against currency fluctuations.

We could offer this comprehensive service fast because we have our own people and our own branches wherever they are needed for international trade. The Barclays International group is in over 75 countries spanning five continents. We are, for example, in Hamburg, Sydney, Tokyo and Bahrain. As well as in New York and Hong Kong.

We help most of the world's successful international companies. Somewhere there is a market where we can help you.

APPOINTMENTS

Sales director for Ford of Britain

Mr. Roger Humm has been appointed director of sales, FORD OF BRITAIN, from October 1. He succeeds Mr. Sam Ray, who earlier this week was appointed chairman and managing director. Mr. Humm has been group director, Northern European sales, Ford of Europe, since 1978. He joined Ford as a graduate trainee in 1960 and gained company experience first as an analyst in the business management department. He went to Ford of Europe in 1975 as manager of advertising and car merchandising, where he played a major role in the launch of the Fiesta, and became group director, Northern European Sales in November 1978. In his new job he assumes overall responsibility for all Ford car and commercial vehicles sales in Britain.



Mr. Roger Humm

Mr. Anthony Shrimley has been elected chairman of CAVENHAM COMMUNICATIONS and continues to be the editor in chief of Now! magazine.

Mr. Ian H. F. Finley, who was chairman of Lloyds in 1978 and 1979, has succeeded Mr. Francis Perkins as chairman of the BRITISH INSURANCE BROKERS' ASSOCIATION.

The Trade Secretary has appointed Mr. Barry Norman and Mr. David Pateman as members of the Board of the NATIONAL FILM FINANCE CORPORATION for not more than three years from October 1. He has also reappointed Lord Remnant from the same date. At Lord Remnant's request his reappointment is for a period of one year only.

Following the acquisition by LAWSON'S (WHEATSTONE) of the Silicate Company, Remel Hempstead, Mr. Y. L. M. Lawson and Mr. W. P. Gilmore have been appointed to the Board.

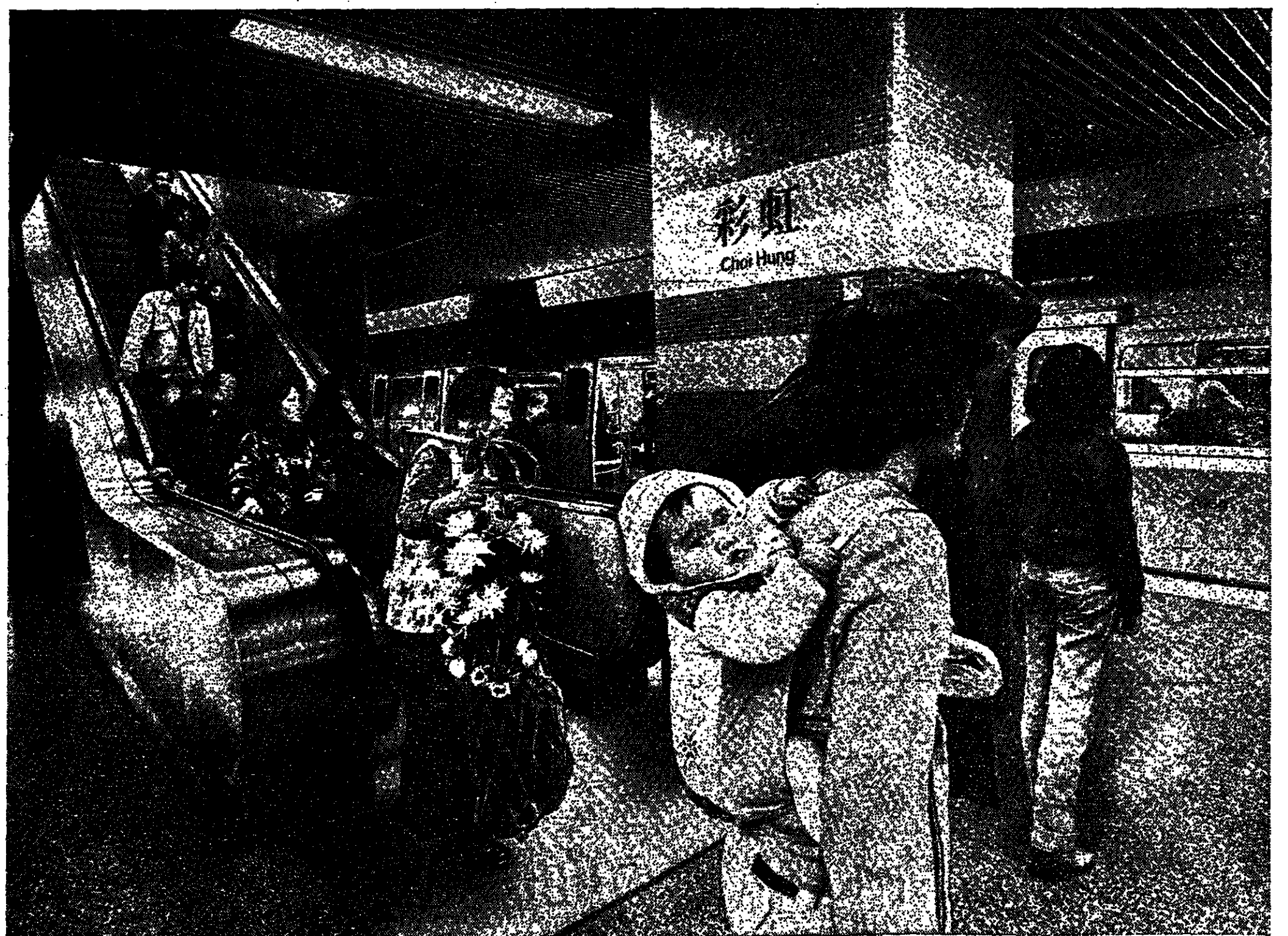
As part of a planned management transition, Mr. John J. Nevins, has been elected chief executive officer of THE FIRESTONE TIRE AND RUBBER COMPANY succeeding Mr. Richard A. Riley who will reach the mandatory retirement age of 65 next March. Mr. Riley will remain chairman and Mr. Nevins will continue as president and chief operating officer, the position he has held since joining the company last December.

Mr. Derek J. Thomson has been appointed to the Board of BRADMAN LAKE SALES.

Mr. Richard Fothergill has been appointed full-time director.

of the £9m microelectronics development programme for schools and colleges announced in March this year. The appointment, made by the Education Departments of England, Wales and Northern Ireland, will be from November 1980, until March 1984. The director will plan and manage a programme of co-ordinated projects under the supervision of the Education Departments. The Council for Education Technology will provide administrative and accounting services. Mr. Fothergill is at present head of PETRAS (Polytechnic Educational Technology Resources and Advisory Services), the educational development unit at Newcastle Polytechnic.

Mr. D. W. R. WRIGHT has been appointed company secretary of JOHNSON, MATTHEY AND COMPANY. He succeeds Mr. K. A. Venus who has retired after 47 years with Johnson Matthey, 15 years as company secretary. Mr. Wright has also been appointed secretary of Matthey Finance and Matthey Rustenburg Refiners (UK). He will continue as a director of Johnson Matthey (Nominees) and as secretary of Johnson Matthey Investments, Johnson Matthey Estates and Johnson Matthey in the Irish Republic. On September 30 he will relinquish his appointments as secretary of Johnson Matthey Metals and Johnson and Sons' Smelting Works. Mr. I. D. Dewar has been appointed secretary of Johnson Matthey Metals, Johnson and Sons Smelting Works, Star-Link Chains and WSA Components.



BARCLAYS International

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AMERICAN NEWS

U.S. go-ahead for sale of military goods to China

BY DAVID BUCHAN IN WASHINGTON

THE CARTER Administration has approved about 400 export licences which would enable China to buy U.S. military technology. In return it hopes to buy light-weight, heat-resistant metals from China for aircraft manufacture.

This was disclosed by Dr. William Perry, the U.S. Defence Department's top research and development official, who has been leading an American delegation in talks with the Peking government this week in the Chinese capital.

These constitute a further sharp change in the relationship between Washington and Peking, started in earnest with the trip to Peking last January of Mr. Harold Brown, the U.S. Defence Secretary.

The relationship has heavy

political overtones, not least to the Soviet Union which since its invasion of Afghanistan has no longer been treated by Washington as on a par with Peking.

But Dr. Perry said this week the Chinese understood the U.S. was not prepared to sell them military weapons outright. In fact, it was reported at last week's Chinese People's Congress that China had overspent its defence budget because of last year's war with Vietnam and would curb spending.

Dr. Perry noted that China had "vast quantities" of titanium, vanadium and tantalum, three metals used in aircraft manufacture but which are in relatively short supply in the U.S. But the Pentagon official said talks on this were still preliminary and he could not pre-

dict how much of the metals the Chinese were willing to sell.

Several months ago, the Carter Administration announced its decision in principle to sell China technology which had civilian-military use, such as transport aircraft.

This week Dr. Perry disclosed that the Carter Administration had given Lockheed the go-ahead to negotiate a sale of C-130 transport aircraft and Boeing to pursue talks with Peking on a possible sale of Chinook helicopters.

In addition, the defence official told the Chinese the Administration had no objection to their purchase of an advanced high-speed computer, offered by Western Geophysical Company of Houston, to process data in China's search for oil and gas.

U.S. Steel ends Italy subsidies dispute

By Paul Betts in New York

U.S. STEEL, the biggest U.S. steel producer, the International Trade Commission and Italy have settled a long-running dispute over alleged Italian Government subsidies steel exports to the U.S.

This follows a decision by U.S. Steel to drop its demands for import duties on several Italian steel products which, the U.S. Steel producer claimed, benefited from unfair Italian Government subsidies.

The case against Italy dates back to 1969 and involves a number of Italian steel products including steel pipes, cables, ropes, nails, nuts, bolts among others.

But after reviewing the case, U.S. Steel said that it found its current product mix had changed as regards those specific Italian products.

Thus, after weighing the company's product mix against the current level of Italian imports, U.S. Steel decided to withdraw its request for import duties on these Italian products.

But U.S. Steel is pressing ahead with its dumping charges against seven European countries over European carbon steel imports in the U.S. In this much more significant case, involving U.S. charges that European steel producers have been selling products below cost in America, the U.S. and the European countries are now seeking to work out an out of court settlement to the dispute.

France, Australia in nuclear accord

BY PATRICIA NEWBY IN CANBERRA

AUSTRALIA and France have reached accord on a draft nuclear transfers agreement which would open the way for France to import Australian uranium, possibly up to 2,000 tonnes a year by 1990, or 20 per cent of its needs.

The draft was approved in Canberra yesterday by M. Andre Girard, the French Minister for Industry and Mr. Doug Anthony, Australia's Minister for Trade and Resources.

Under Australia's safeguards code, Australian uranium is not to be used for military or explosive purposes and is to be re-

processed or resold only with Australian consent.

There is no disagreement over the non-military requirement, M. Girard said yesterday. "We find no incompatibility between Australian policy and French programme."

But both sides have dodged the question on Australian permission for reprocessing or resale. M. Girard said France, like Australia, would not accept interference in its internal affairs.

When pressed on whether this meant France would not accept

Australia's safeguards requirements, he said: "We can say exactly where our power plants are and how Australian uranium will be used. It is possible to find an acceptable balance between Australian policy and French programme."

The draft agreement will be shown to the European Commission in Brussels in accordance with Euratom policy. So far Euratom has not signed a nuclear agreement with Australia because of Australia's insistence on the resale and reprocessing provisions.

He also confirmed France's in-

terest in participating in a uranium enrichment plant if Australia decides to go ahead with a project.

The Australian Government has received recommendations in favour of a plant from an expert committee but because of the very strong anti-nuclear lobby in the country has not yet made a decision.

M. Girard said France would be prepared to be a uranium shareholder in an enrichment plant if it proved economical. In return for some of the plant's output, France would facilitate the transfer of technology.

Sawhill is synthetic fuels chief

By David Buchan in Washington

PRESIDENT Jimmy Carter has ended a long search for a head to the new Synthetic Fuels Corporation by naming Mr. John Sawhill, Deputy Energy Secretary, for the post.

At the same time, the President and Mr. Ronald Reagan, the Republican challenger, have clashed on the campaign trail over energy policy, and in particular over the oil company profits tax, whose proceeds will provide loans, guarantees and price supports for the new corporation to bolster synthetic fuels.

Mr. Reagan claimed the windfall profits levy was "a bad tax" because it would reduce domestic oil production. The Republican candidate has "again made an accusation without checking the facts," Mr. Carter countered, claiming that this year U.S. crude production had risen in only the second year in a decade.

The President is proud — his critics would say inordinately so — of getting the bulk of his hard-fought energy proposals through Congress, and has made them a prime feature of his campaign rhetoric.

The Administration has set \$88bn (£36bn) as the eventual amount the SFC might spend to promote the costly production of synthetic oil and gas from coal and oil shale. This is highly ambitious, more than the combined cost of the 1960s space programme.

Pinochet to seek only one 8-year term

BY MARY HELEN SPOONER IN SANTIAGO

GENERAL Augusto Pinochet, the Chilean President, has announced he will not attempt to remain in office following the eight-year transition period provided in the proposed constitutional project submitted to a plebiscite yesterday.

The new constitution stipulates that no Chilean President may succeed himself, but an exception is made for the Head of State in office when the new constitution is implemented.

Gen. Pinochet indicated he did not aspire to remain in office after 1989 but that the military government would continue in Chile "while it is necessary for the country."

More than 6.7m people went to the voting sites, beginning at 8 a.m. The first returns were announced about eight hours later.

Opposition leaders, such as Sen. Andres Bello, Christian Democratic leader and former

Finance Minister, have criticised the lack of electoral safeguards in the voting procedures.

Blanks were counted as "yes" votes in approval of the proposed constitution. Those Chileans seeking to express opposition to the entire process by casting such ballots were inadvertently supporting the new constitution and the lengthy transition period.

Chile's military authorities announced that 11 bombings had taken place in Santiago on Wednesday, with small explosions near supermarkets, banks and shops.

Soldiers patrolled the voting sites to ensure order and to resolve conflicts of identification. In order to ensure that no one voted twice individuals were required to stain one finger with indelible ink which would remain imprinted for at least 12 hours.

Peru bank strike ends

BY DOREEN GILLESPIE IN LIMA

A THIRTEEN-DAY Peru bank strike ended yesterday after banks agreed on wage increases plus re-instatement of 50 union leaders who had been dismissed during strikes under the military regime which ended on July 28. Agreement was reached after Government mediation.

Employees have received an increase of Soles 18,000 (£25) a month plus Soles 60,000 bonus each year towards their child-

ren's education. The union had been asking for a monthly increase of Soles 50,000.

The civilian Government is now faced by a threatened 48-hour strike at all the major mines on September 18 and 19. Miners are protesting against increasing cost of living — following recent increases in fuel and transport — and demanding a solution to pending claims including reinstatement of workers dismissed

Caracas seeks Rome know-how

By Kim Foad in Caracas

A VENEZUELAN delegation headed by Sr. Ricardo Martinez, the Planning Minister, leaves for Italy today to discuss a wide range of economic co-operation projects based on a new policy of exchange of goods and services for security of supply of oil.

Sr. Martinez's mission will seek ways to incorporate Italian know-how and goods into the development of the South American oil-producer's economy.

Renault 'reneges on Iran deals'

BY OUR FOREIGN STAFF

RENAULT's contracts to supply car kits to Saipa, Iran's second largest car plant, have not been honoured, the Iranian company says. Renault, however, refutes the claim.

This has led to a drop in production from 130 cars a day before the revolution to 50 now. At this level of production the plant is losing \$800 on each vehicle it sells, although the official selling price has been increased to \$3,100.

Production of the Paykan car, assembled from kits supplied by Talbot of the UK, has also dropped, leading to unsatisfied demand and black market prices for cars which are almost twice the official selling price.

Only Government subsidies now keep Saipa going and letters of credit for the knocked-down kits from Renault are opened by the Finance Ministry itself and not by the Iranian company.

Last year the Iranian authorities nationalised Renault's 40 per cent holding in Saipa and no agreement on compensation has been reached.

Before the revolution the kits were supplied to Iran on a generous long-term payment basis. Renault was unable to continue this during the post-revolutionary period but the company asserts that apart from one small interruption, deliveries have continued in spite

of EEC sanctions.

Saipa, like the rest of Iranian industry, has been hit by the rapid increase in workers' wages. There is also a shortage of technically qualified staff after the expulsion last year of about 12 French experts following charges of maladministration.

Despite this, plans are going ahead to replace the 1100 cc engine used with a 1300 cc one, but this will depend on agreement on price between Renault and Saipa.

A major part of previous production was the Iranian model of the Dienne but this has now ceased after a decision to assemble only the Renault 5.

Import scheme saves Lagos £56m

BY MARK WEBSTER IN LAGOS

THE INSPECTION of imports before they are shipped to Nigeria has saved the country Naira 67.2m (£56m) in the first six months of this year, the Nigerian Central Bank has announced.

The Swiss company Société Generale de Surveillance which inspects goods for a number of African countries, inspected some Naira 2.16bn according to the bank's exchange control department.

The goods are meant to be checked at the port of loading by SGS for price, quality and quantity. The company is paid on the basis of the value of goods it inspects and received Naira 18.5m for the first half

of the year.

The Central Bank said the savings made by the inspection were principally on price reductions and the prohibition of "repatriable commissions". The system of repatriable commissions is used by Nigerian businessmen wanting to avoid Nigeria's stringent exchange controls by having their commission paid abroad, officials said.

Since the scheme was introduced in Nigeria 18 months ago, the Central Bank says it has saved a total of Naira 134.3m in foreign exchange. The bank has paid SGS a total of Naira 33m in commission.

When the scheme was first introduced it created havoc

throughout the economy because of the slow processing of forms by the Central Bank. But waiting time has been cut considerably since then, officials say, and will be further speeded by two measures introduced by the Government in its April budget.

The forms for the inspection clearance can now be processed by the regional offices of the Central Bank and spare parts and raw materials are excluded from inspection.

But the scheme still rouses suspicion or anger among many businessmen in Nigeria who see it as another delay in an already lengthy bureaucratic procedure when doing business with the country.

Ferranti in Supertex agreement

By Elaine Williams

FERRANTI, the UK electronics company, has entered a marketing agreement with Supertex, a U.S. electronics company, which will allow it to compete in a \$500m-a-year market.

The company has acquired the marketing rights and technology to manufacture high power transistors which are widely used throughout industry. The market for these transistors is growing rapidly, and it is expected that by the mid-1980s the world market will be \$1bn.

Several million pounds have been invested by Ferranti in setting up a manufacturing facility for the new product and the first samples of the transistors are likely to be available early next year.

Ferranti Electronics says there is a large market in individual or discrete electronic components worth over £2bn a year despite the trend towards integrated circuits — better known as silicon chips — which contain thousands of components.

In Europe 42 per cent of all electronic products are made using discrete components compared with only 37 per cent in the U.S., where designers have access to the latest technology.

While silicon chips will eventually dominate the industry, Ferranti said that there was still a substantial market for specialist components such as high power transistors which can never be replaced by chips.

Trudeau is firm on reform

BY JIM RUSK

MR. PIERRE TRUDEAU, the Canadian Prime Minister, is taking an unyielding stand in this week's constitutional negotiations here. It appears unlikely he and the 10 provincial premiers will be able to agree on a reform package.

As the meeting passed the halfway mark yesterday the premiers and the Prime Minister had not reached agreement on any of the issues discussed.

Mr. Trudeau has rejected provincial demands that Ottawa agree to a major devolution of powers to the provinces. He made a nod in their direction by offering them the right to impose indirect taxes and a sharing of power over inter-provincial and international trade — both changes which would strengthen provincial control over natural resources.

He may have appeased Saskatchewan and British Columbia, but Alberta's Premier Mr. Peter Lougheed, with whom Mr. Trudeau's government has been unable to strike an energy price agreement, is adamant that Ottawa still has not offered enough. Alberta is the centre of the Canadian oil industry.

Nor does it seem likely that the provinces will support Mr. Trudeau in his main goals of patriation of the constitution (at present a British statute of 1867) the entrenchment of a Bill of Rights, and the inclusion of a clause guaranteeing the free flow of people, goods and capital across the Canadian common market. Support for patriation appears impossible unless there is an agreement on an amending formula.

A federal strategy memorandum leaked during the con-

ference indicates that unless a package is agreed this week Ottawa will move quickly to unilateral patriation.

The timetable suggested in the memo is a televised address to the nation by the Prime Minister on September 28 and the recall of Parliament on September 29 to consider a resolution of both houses addressed to the British Parliament, the traditional means by which Canada initiates amendments to the British North America Act.

Unilateral action could embarrass both sides. Westminster could find itself in a Canadian domestic squabble if, as seems likely, several provinces petition London against the federal resolution. Mr. Trudeau may try to outflank provincial opposition by holding a national referendum on constitutional change.

When a Chinese delegation visited Washington to discuss relations with the World Bank, the International Finance Corporation was, it seems, invited to attend almost as an afterthought. The World Bank (at length) and the Corporation (briefly) then set out their wares. But it was to the Corporation that the Chinese devoted at least half their questioning.

The saw the Corporation as a conduit for encouraging foreign investment, as indeed is its purpose. Two recent projects show how diverse its activities are. The first is a \$100m flat-glass plant in Mexico, in which the Corporation has sold shares to banks and — a new development — directly to two insurance companies. The second is a \$2m salt-water shrimp farm in Costa Rica.

Private sector investment by the Corporation in 1979-80 was \$681m, up from \$425m the previous year, according to the annual report published earlier this week. And more than half the investment projects approved in the last financial year were in the poorest countries.

But the report noted that

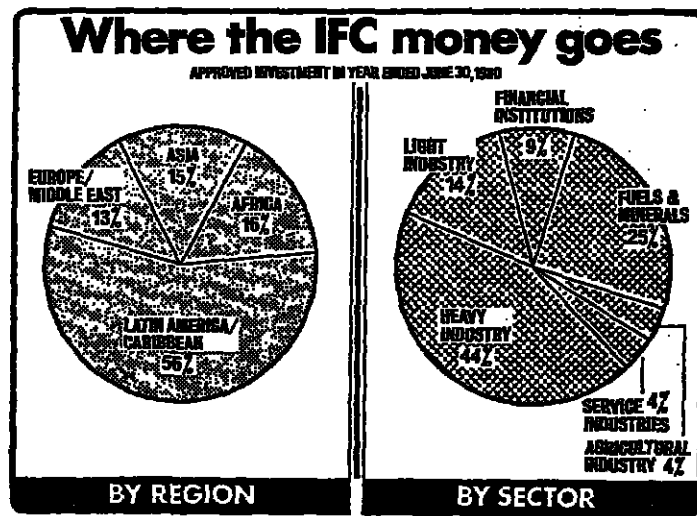
private finance is the crutch on which developing countries must lean to support balance of payments deficits. Indeed, 70 per cent of gross new loan commitments to the developing countries — \$75bn — came from private sector capital.

The Corporation sets out to lead private capital into the developing world and this June had a portfolio of investments in 68 countries with a total disbursement value of \$215m. If undistributed investments are included, this figure rises to \$1.4bn, with the main beneficiaries being Brazil (\$204m), Yugoslavia (\$140m), Mexico (\$127m), and Turkey (\$97m).

Projects may be started as a result of an approach from a potential investor, from a would-be local partner, or from a government. Often the Corporation which draws on the research of the World Bank, itself identifies opportunities.

The Corporation aims to keep less than 25 per cent of a project, and traditionally has brought in other financing institutions by selling them a share of its loan; it calls this "syndicating its participation."

Recently, however, it has also begun co-financing, bringing in other investors on their own



terms. "The development reflects the growth of experience and capability abroad of the large banks," according to M. Pierre Biraben, the special assistant to the Corporation's chief executive.

The Corporation was set up 24 years ago. Its staff will accept that "in a sense there is a truth" that it should invest in countries where the World Bank has paved the way by developing the infrastructure

necessary for industrial or agricultural schemes. But the Corporation's growth has been less marked than that of its parent.

The constraint on growth has not been a shortage of capital. At the end of June this year, its borrowings — mainly from the World Bank, which has a triple-A rating in the markets and can borrow more cheaply than the Corporation would be able to — totalled only \$500m, of

which \$62m was withdrawn. This is a mere quarter of the amount the Corporation is allowed to borrow under its statutes; these specify that it can borrow four times its subscribed capital and earnings, which in June added up to \$446m.

Instead, the main constraint is that its lending is "custom-tailored," and each project requires large amounts of administration. In the past two years its professional staff has increased from 155 to 205. But the Corporation says a shortage of manpower remains a limiting factor.

This problem is compounded by its attempts to do more work in the poorer countries. In the year to June 1980, 29 per cent of its projects were in Latin America and 58 per cent in Asia and Africa. But the value of its projects in Latin America was almost double those in Asia.

The U.S., with 30.6 per cent of the Corporation's votes, and the UK, with 11.4 per cent, dominate it even more than they do the International Monetary Fund and the World Bank. But figures prepared by the Corporation show that, for every dollar subscribed by the British, it has received \$10 worth of business

Latin America's exodus from Jerusalem alarms Israelis

BY DAVID LENNON IN TEL AVIV

ALARM BELLS are ringing in Israel since all the Latin American states with embassies in Jerusalem announced they would move their missions to Tel Aviv. The 12 countries made their decisions in protest at the Israeli law proclaiming all Jerusalem, including the Arab half captured in 1967, as the nation's capital.

Twice in the past 14 years, Israel has seen its diplomatic relations with regional groups of nations suffer serious blows. The first time was in 1967, when all the Soviet bloc countries except Romania severed diplomatic ties, and the second time was in 1973, when most black African states closed their embassies.

Israel is hoping the Latin American states' decision to move out does not preface a severing of diplomatic relations. Jerusalem officials think such action unlikely, although they would not rule out entirely the possibility that some Caribbean states might follow Cuba, which cut diplomatic links in 1973.

After the break with black Africa, Israel has looked to Latin America as an opening to the Third World and a continent whose friendship could

alleviate Israel's growing international isolation. This friendship expresses itself not only in voting patterns at the United Nations and support for Israel in international organisations, but also in trade, which has grown five-fold in the past eight years.

Israel imported \$181m worth of goods from Latin America in 1979, including desperately needed oil from Mexico and meat from Argentina. Exports to Latin America exceeded \$75m last year, and included an undisclosed amount of military equipment.

During the past decade Latin America has become one of the most lucrative markets for Israel's military industries, because some of Israel's clients are military dictatorships, these sales of military equipment have also given rise to international criticism.

Worldwide publicity was given to Israeli arms sales to Latin America during the revolution in Nicaragua. The troops of the ousted dictator, President Anastasio Somoza, were seen on television screens around the world shooting revolutionaries with Israeli-made Galil assault rifles. Indeed, one rifle was later

presented by the victorious revolutionaries to President Fidel Castro of Cuba.

A recent scholarly study of Israel-Latin American relations, by three Hebrew University lecturers published in the U.S. says: "It is estimated that about one half of Israel's total military exports are now sold to Latin America."

Because these exports are usually reported in official statistics as "metal products," "electronic equipment," "radio-telegraphic apparatus" and the like, it is difficult to pinpoint the sales.

However, some items are public record. The Israel Aircraft Industries openly advertises the fact that its Arava aircraft "is now in service with a number of military operators — a majority of them in Latin American countries." Its mission capability includes:

"Transport of 24 troops, para drop of 17 paratroopers, counter insurgency, border or marine patrol and other police operations." Customers include Nicaragua, Guatemala, Bolivia, Honduras, El Salvador and Mexico.

Other weapons sold to Latin America, according to foreign press reports, include: patrol boats armed with Gabriel sea-to-sea missiles (to Nicaragua), Shafir air-to-air missiles (to Chile), and Galil assault rifles, UZI sub-machineguns and ammunition, and a wide variety of electronic and communication equipment.

The growth of this trade is hardly surprising, given the basic good relations between Israel and Latin America and Israel's success as a manufacturer of weapons which have proved themselves in battle.

For the Latin American states, there is the added attraction that Israel is not a party to any of their regional disputes. Latin American interest in Israeli military equipment began in the 1960s. Between 1964 and 1971, Latin Americans

ISRAELI TRADE WITH LATIN AMERICA 1979



made 160 visits to Israeli military bases, defence industries and related installations, according to the Hebrew University lecturers' study. Well over a hundred visits were made by military personnel from 18 different states. In the 1980s these

were mainly familiarisation tours, but in the 1970s they became more business-like.

Of course, the traffic in visitors has not been one way. Since 1953, when Mr. Moshe Sharett, the former Foreign Minister, visited the continent, a con-

stant stream of Israelis has visited Latin America on both official and private visits. Mr. Abba Eban, another former Foreign Minister, visited Latin America seven times between 1960 and 1973. One of the more interesting of the recent trips was that to Chile and Argentina a couple of years ago by Mr. Mordechai Zippori, the Deputy Defence Minister.

Israeli diplomats are unhappy about the attention paid to the military side of relations with Latin America. They feel that focusing on this aspect gives an unbalanced picture, and indeed the statistics show that Israel's purely commercial trade with the continent is flourishing. None the less, the study notes that arms sales since 1973 had "drastically" changed the previous pattern of exports.

Mr. Menahem Karmi, head of the Foreign Ministry's Latin American division, admits it is regrettable that Israel has to sell arms. "It would be better for Jews to sell prayer shawls and bibbles," he comments half in jest. But he adds that, as war and consequently a weapons industry were forced on Israel, it has to sell arms if the military industry is to be viable.

That many clients are military dictatorships sparks Mr. Karmi to ask how many democracies there are among the 150-plus members of the United Nations. "Why should Israel, in its diplomatic isolation, take the initiative in maintaining relations only with democratic countries?" he asks.

With the present wave of revolutionary activity, especially in Central America, Israel faces losing not only a customer if a client dictator is overthrown, but also his country's diplomatic support.

The ambassadors of 10 of the 12 Latin American countries moving their embassies were called in to the Foreign Ministry. But, instead of the harsh denunciation of capitulation to Arab pressure which has been the feature of recent Israeli diplomacy towards Europe and the U.S., they were told that Israel hoped that relations would continue to remain friendly.

This, more than anything else, indicated the level of Israeli apprehension that Latin America may steal away from the camp of its friends, leaving Israel more isolated than ever.

Call to decrease fares on European air routes

By Michael Donne, Aerospace Correspondent

THE BUSINESS traveller paying an economy class fare on short-haul European air routes is being overcharged, and steps should be taken by Governments and the EEC to remedy this, says the Air Transport Users' Committee.

In a study of European air fares the committee—the UK air travel consumer watchdog—says too many European airlines are overcharging passengers and sheltering behind international bilateral air agreements.

These agreements—between Governments at each end of any particular air route—create “formidable protection” for airlines, but none for passengers.

The AUC says this system of

bilateral agreements needs drastic revision.

“Assuming that 26 Governments each have an agreement with the other 25, there are 325 pairs in the system—surely a formidable protection against the potential flood of air traffic demand.”

Even within the EEC there are 36 pairs (of agreements) and the three new intended members of the Community will increase this to 66.

The committee says the European Civil Aviation Committee, and the EEC have failed to produce a European civil aviation policy which would end the disadvantages of these agreements.

In the meantime, progressive airlines are denied cheaper

fares. This means the full-fare economy class passenger carries on paying for the cheap-fare benefits others enjoy.

The committee lists examples of comparative U.S. and European fares which show that in every case the European rates are higher in terms of cost per mile.

“The AUC considers that the general monopoly position of airlines and airport and navigation authorities in Europe is thrusting a disproportionately higher level of fares on the regular air travellers.”

Indeed, it appears that such travellers are paying two or three times more than would apply if the U.S. competitive situations were to be introduced in Europe.

● A senior Conservative back-bench MP yesterday called on the European Commission to appoint Sir Freddie Laker as a consultant on low air fares for the Community.

Mr. Hugh Dykes (Harrow East), chairman of the Conservative Group for Europe, said: “Sir Freddie is visiting the European Parliament next week and I therefore urge the Commission to appoint him as a consultant.”

“I hope the Commission will consider this very seriously. He is the pioneer of low fares and knows more about this subject than anyone else.”

BA plans to undercut Laker fare to N. York

By Michael Donne, Aerospace Correspondent

BRITISH Airways yesterday announced a fare of £77 stand-by single, London-New York, from October 1—the cheapest rate yet.

This undercuts the previous cheapest planned rate—Laker Airways' £78 single on the Skytrain to New York from October 15. British Airways' own previously planned cheapest rate was £83 single.

In addition to the cut on the New York route, British Airways will cut the stand-by fare to Miami by £3 to £81 single, and to Los Angeles by £5 to £108 single. These rates will prevail until March 31 next year.

British Airways will also offer a new “Pondhopper” rate, that will enable passengers to get a reserved seat (as opposed to the non-reserved stand-by fare) for £90 single to New York.

This again undercuts the planned Laker Airways’ “super economy rate” to New York of £92 single.

British Airways said it would offer cheap bookable Pondhopper rates to Boston of £92 single, Miami £99, Philadelphia and Washington £103, Chicago and Detroit £129, Los Angeles £132 and San Francisco £134.

Laker Airways’ comparable super-economy fares will be £101 single to Miami and £134 to Los Angeles.

British Airways said its Pondhopper rates would also be available from Manchester and Glasgow to New York for £90 single.

Sir Freddie Laker, chairman of Laker Airways, said last night that he did not intend to cut his own fares further to meet British Airways’ challenge.

Courage joins list of brewers increasing prices this month

By Gareth Griffiths

COURAGE yesterday joined the list of brewers who have increased their prices this week by announcing rises of between 2p and 4p a pint.

Most brewers are increasing their prices by an average 2½p a pint either this month or in October. Indre Coope, part of the Allied Breweries, Scottish and Newcastle Breweries, Carlsberg, Guinness, Greenall Whitley and Tetley Walker have all announced price rises this week.

The Courage price rise comes into force by the end of the month.

The increase means that a pint of bitter in London and the South East will cost more than 50p, although in the rest of the country the price will be up to 10p lower.

This geographical difference in prices appears to be increasing but ironically, beer sales

have held up much better in the South than elsewhere.

Beer price increases have a strong impact on the Retail Price Index. Alcoholic drinks account for 8 per cent of consumer spending and any change works through to the figures fairly quickly.

Courage said it only increased prices when it was unable to continue absorbing costs. This was the first major rise since October last year and would be implemented on September 18 in its western region, and in the rest of the country on September 29.

The brewers expect the increase to lead to a slight fall in demand. The industry argues, however, that a rise now gives time for people to adjust to the new prices before the Christmas spending spree.

Licencees have protested to the brewers about the spate of increases. Their organisations have been arguing for a price freeze to boost flagging trade. In the last two months public houses have reported a drop in sales of between 10 and 20 per cent.

However, the decline in beer consumption has been considerably overestimated according to Mr. Colin Mitchell, brewery analyst of stockbrokers Buckmaster and Moore.

In a study of this year's beer consumption to be published next week, Mr. Mitchell concludes the fall has been about 2 per cent and that sales are likely to remain depressed for the rest of the year. The study blames the weather rather than the recession as the main cause for the fall.

CBI seeks Government aid to help industry

By John Elliott, Industrial Editor

A CALL for the Government to take urgent action to help industry survive the current recession was issued last night by Sir Raymond Penneck, president of the Confederation of British Industry, on the eve of his Downing Street meeting today with the Prime Minister.

In a speech which marks the start of a tougher CBI approach to the Government's policies, Sir Raymond listed three main areas where industrialists want help.

These were a reduction in interest rates to help reduce the level of sterling, abolition of the national insurance surcharge which was a “tax on jobs and a burden industry could well do without,” and cancellation of the four-month moratorium on regional development grants introduced last year.

Speaking to the CBI's Scottish region's annual dinner, Sir Ray also criticised the Government for not reducing public spending sufficiently.

“We have made particular representations to the Government on local authority spending, because of the excessive burden which high local rates throw on the business sector,” he said.

These points will be spelled out when Sir Ray meets Mrs. Thatcher this afternoon to warn her of increasing concern and disenchantment with the Government's firm stand.

The CBI's attitude to Government policies will be debated in detail at its monthly council meeting next Wednesday.

But it will also be stressed that the CBI is still in favour of the Government's overall economic strategy.

Examples of comparative U.S. and European air fares in the AUC survey, in terms of cents per mile flown, are given below:

	Miles	U.S. cents per mile	Europe	U.S.
Amsterdam-London	220	63		
San Francisco-Santa Barbara	263			
Frankfurt-Rome	598	47		
Denver-Phoenix	590			
London-Madrid	765	40		
San Francisco-Seattle	679			
Brussels-Madrid	818	35		
Denver-Houston	876			
Stockholm-London	805	41		
Los Angeles-Seattle	957			
Stockholm-Rome	1,286	9		
Houston-Salt Lake City	1,225	44		
Madrid-Stockholm	1,812	10		
Houston-San Francisco	1,641	30		

Airlines will lobby against fees

By Michael Donne, Aerospace Correspondent

MORE THAN 20 of the major foreign airlines serving the UK are planning concerted action against British Airports Authority plans to further raise landing fees and other charges at its airports, including Heathrow.

Earlier this year, the UK airlines and other airport users, such as business aircraft operators, complained to the Department of Trade that rises in charges proposed from April 1 by both the BAA and the Civil Aviation Authority would add £100m to their bills for 1980-81.

In recent weeks, the BAA has made it known that it will be proposing further increases in 1981-82, probably on the basis of the current inflation rate plus 5 per cent, and it is this plan which has aroused the

anger of the foreign airlines.

Their plan of a campaign against the airports authority has not yet been settled, but a recourse to the courts is not ruled out, although direct political campaigning is also believed to be under consideration.

The foreign airlines are claiming that, if the new rises become effective, they will be expected to pay as much as \$10,000 to land a fully-loaded Jumbo jet at Heathrow, the highest charge in the world.

The foreign airlines' anger comes against the background of a report from the House of Commons Committee of Public Accounts suggesting that the BAA ought to pay more of its profits to the Exchequer, keeping less for its own use.

While recognising that the authority is well managed, the committee points out that the issue is “how much of the surplus achieved by an industry should be regarded as available for ploughing back in the industry itself, and how much should be paid to the Exchequer year by year as an additional cash return on the public shareholding in the industry.”

“A balance has to be struck,” says the committee. “In the case of the BAA it would seem to us more appropriate in future to require additional payments to the Exchequer, and to keep retained surpluses to a substantially lower level. But the issue raised is one which we suggest the Treasury should review in relation to nationalised industries generally.”

Retailers to test for faulty shoes

By David Churchill, Consumer Affairs Correspondent

SBOE retailers have agreed to test new lines before they go on sale following an increasing number of complaints from consumers.

The Office of Fair Trading announced the agreement yesterday as it published a

report monitoring the footwear industry's code of practice.

The report shows that in a sample survey last year 80 per cent of consumers' complaints related to faulty manufacture or materials.

The report also reveals that

complaints to consumer advice agencies about shoes has risen from 22,000 in 1975 to nearly 32,000 in 1979.

The OFT, however, says that shoes still account for less than 5 per cent of all complaints about goods and services.

Office of Fair Trading looks for companies to investigate

AN INVESTIGATION into anti-competitive practice by a single company is likely to be announced by the Office of Fair Trading within the next few weeks.

The investigation will be the third under the new Competition Act, which gives the OFT powers to investigate the trading practices of any private sector company. OFT officials have already begun work on the first two investigations announced last month — into TI Raleigh Industries and Pelter Engineering — and their report is likely to be completed by November.

The OFT is considering a number of potential candidates for the third investigation but it is unlikely to make a final decision until shortly before the inquiry is announced. This is because a company, once it is aware that the OFT is considering a formal investigation, may perhaps be willing to amend its trading practice voluntarily.

A fourth investigation can be expected in October, but this is likely to be the last this year. Since the Competition Act became law in April, the OFT has found it harder than expected to find suitable candidates for investigation. But hopes that once the investigations get underway more evidence of anti-competitive practices will be forthcoming.

The OFT is also concerned about the possible backlash from companies being investigated at a time when most companies are finding it difficult to cope with the recession. The OFT, therefore, has just published a free simple guide to the new legislation which aims to give some reassurance about what the OFT can — and cannot — do under the new law. The booklet also gives some practical examples of the type of anti-competitive practices by companies which are considered likely targets for investigation by the OFT.

The OFT has felt it necessary to explain these in some detail since the Competition Act gives no definition of what is considered to be an anti-competitive practice. This lack of a precise definition was to enable the OFT's investigations to be

flexible and to prevent companies seeking ways around any specific set of criteria.

The OFT points out in its booklet that the general definition “recognises the importance of taking into account the individual circumstances of each practice by basing its test on whether a practice is anti-competitive, not on the form of the practice, but on its effect on competition.”

Whether or not a company's practice is anti-competitive will depend, to a large extent, on the market position of the company. The larger the company's

share of the market, the more likely it is for the anti-competitive practice to reduce competition.

The OFT has divided potential anti-competitive practices into two areas—pricing and distribution policies.

In the area of pricing policy the OFT has identified three possible abuses:

1—Price discrimination—this is the practice of selling goods or services at different prices to separate groups of customers, when there are no cost differences involved. “Some variations of price discrimination take the form of differential rates of discount or rebate from list prices—perhaps in return for loyalty or exclusive supply arrangements,” the OFT points out. “An important variant arises where a purchaser's buying power enables him to insist that suppliers grant him advantageous terms, so artificially enhancing his ability to compete on price in the market in which he sells.”

2—Predatory pricing—this is defined as “the practice of temporarily selling at prices below cost, with the intention of driving a competitor from the market, so that in future prices may be raised, and enhanced profits extracted.”

3—Vertical price squeezing—this can arise when a vertically integrated company controls the total supply of an input essential to the production needs of its subsidiary and competitors. “The input price can be raised and the downstream output price reduced, so that profits of competitors are squeezed, possibly with a view to driving them from the market.”

In the distribution policy category, the OFT identifies six possible abuses:

1—Tie-in sales—this is a stipulation that a buyer must purchase part or all of his requirements of a second (tied) product from the supplier of the first product.

2—Full-line forcing—this requires a buyer to purchase quantities of each item in a product range in order to be able to buy any of them.

3—Rental-only contracts—these restrict customers to rental or lease terms only and which can be anti-competitive where there are no alternative methods of acquiring those goods.

4—Exclusive supply—this is when a seller supplies only one buyer in a certain geographical area, which limits competition between that buyer and his competitors.

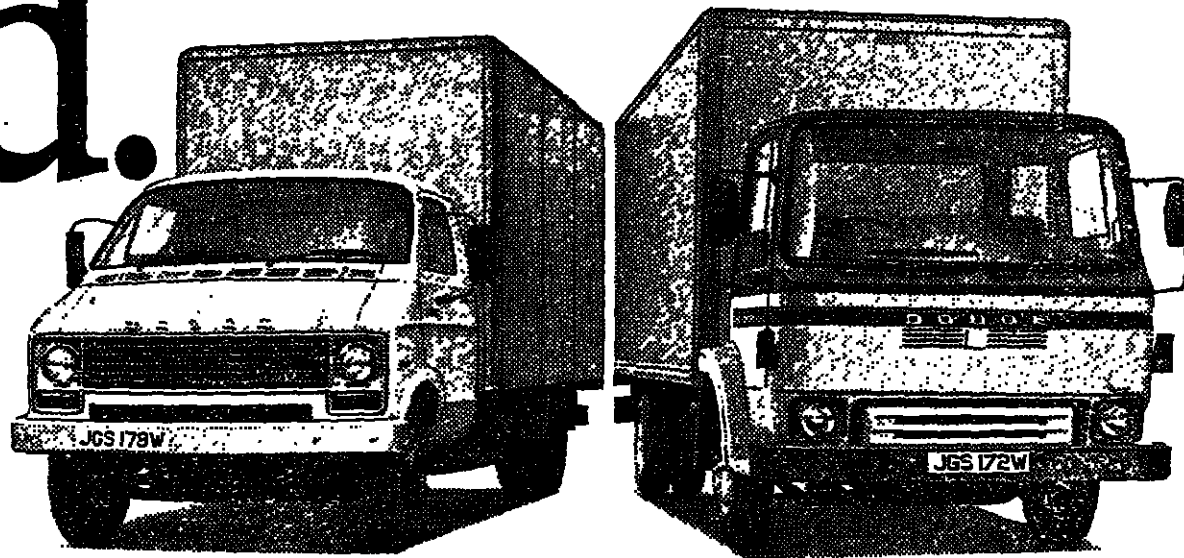
5—Selective distribution—the practice of choosing as sales outlets only those which satisfy certain quantity or quality criteria.

6—Exclusive purchase—this is when a distributor contracts to stock only the products of one manufacturer, possibly in return for an exclusive supply arrangement.

The OFT points out that as a consequence of these distribution practices, refusal to deal with certain companies is a likely result. “Refusal to deal can also be used to support other policies which might be anti-competitive, such as establishing a minimum price level by refusing to supply discounters.” This is the basis of the current investigation into Raleigh.

“Anti-competitive practices” available free from the OFT, Room 600, Chancery House, Chancery Lane, London, WC2A 1SP.

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UK NEWS

CEGB to 'mothball' 22 back-up power stations

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE Central Electricity Generating Board will announce today that it intends to close or "mothball" 22 power stations, in its biggest closure programme for years.

The plans will mean the loss of more than 3,000 jobs and more than 3,000 megawatts from its net capacity of 57,000 MW.

The unions representing the power station workers, which include the Transport and General Workers Union, the General and Municipal Workers' Union and the Electrical and Plumbing Trades Union, fear that many workers will not find jobs elsewhere on the system, and that most of those offered jobs will have to travel long distances to take them up.

The stations to be closed or "mothballed" are: Ashford,

Bankside (shown right), Barking, Blackwall Point, Croydon B, Little Belford A, Littlebrook C and Tilbury A in the south eastern region; Aberthaw A, Plymouth and Uskmouth A in the south western region; Hams Hall B and Nottingham (2 units) in the Midlands region; Dunston, Huddersfield and Mexborough in the north eastern region; and Bold A, Bromborough, Fleetwood Ince A and Lister Drive in the north western region.

Merit order

Most of these are small, oil or coal-fired stations, which are well down the CEGB's merit order—that is, they are not brought into service except at times of high load.

The unions in the electricity industry have traditionally accepted the closure of older stations but have done so in the context of a growing system, in which alternative jobs could be offered to their members.

They are now faced with a system which is contracting, where there will be real redundancies and few opportunities of easy relocation.

They believe that many members will be reluctant to move, especially if the stations at which they are offered jobs are themselves low on the merit order and thus threatened with closure in a few years.

At their meeting with the CEGB earlier this week, the unions made a number of specific criticisms of the Board's plans. The CEGB is expected

to respond to these criticisms at a further meeting, which has yet to be arranged.

Investments

● National Smokeless Fuels, the National Coal Board subsidiary, yesterday announced a £5.5m investment programme to secure the future of Cwm Cwm, near Pontypridd, the largest coke production unit in the South Wales coalfield.

The main construction contract has already been awarded to Simon Carves of Stockport to rebuild two of the four batteries of ovens at the plant, which employs some 300 people. The programme will take 24 years to complete.

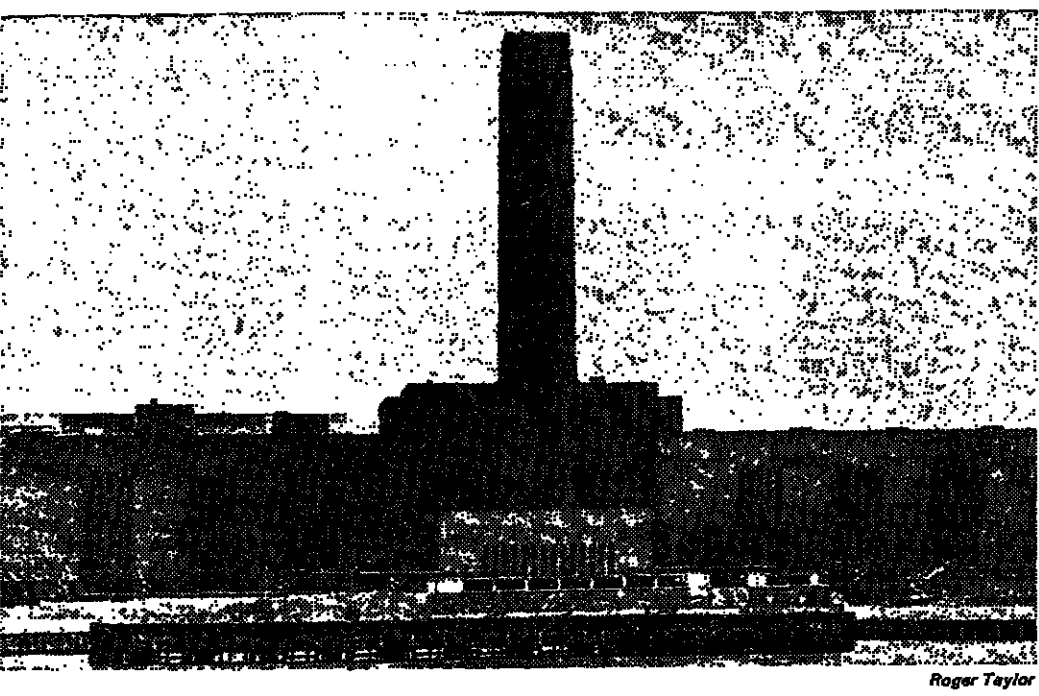
Cwm, when operating at full capacity, produces some 325,000

tonnes of high grade metallurgical coke a year from 529,000 tonnes of locally produced coking coal. It goes mainly to foundries in the Midlands.

Mr. Don Davison, NSE's managing director, said the company was determined to see Cwm was given the capacity to stay in business in a substantial way and was in good heart to meet whatever competition it had to face.

"These are tough times for all sectors of British industry but we can only survive if we produce high quality at prices all our customers can afford."

It is planned to have both batteries back in operation by the end of February, 1983, giving the plant a further life span of about 25 years.



Roger Taylor

£2.5bn facelift for phone network

BY ELAINE WILLIAMS

BRITISH Telecom, the telecommunications side of the Post Office, is to spend £2.5bn to accelerate the modernisation of Britain's ageing telephone network. It was announced yesterday.

In five years Britain's 30 major towns and cities will be equipped with the latest electronic exchanges known as System X.

By 1992 the whole country will be within reach of the system—up to two years earlier than originally planned. It will provide Britain with one of the most sophisticated telecommunications systems in the world, says British Telecom.

Yesterday the first fully

operational telephone exchange was officially opened in London by Mr. Peter Borton, managing director of British Telecom. It was installed in July to connect 40 local exchanges in London; more than 2.5m telephone calls have been routed through it so far.

System X cost £150m to develop, British Telecom and its three main suppliers, Plessey, the General Electric Company and Standard Telephones and Cables. Installed the new exchange six months ahead of schedule in an effort to prove that Britain had caught up with its rivals in the U.S., Western Europe and Japan. The companies hope the new system will revive their fortunes in export

markets.

System X is a computer controlled exchange which converts telephone calls into a string of pulses and switches them alongside computer data and telex in the same channels.

Instead of large banks of electro-mechanical switches, the System X exchange uses cheaper, silent silicon chips. It is 20 times more reliable, occupies only 20 per cent of the space, can be built in half the time and allows the customer a wide range of facilities including automatic alarm calls, itemised billing, and conference calls.

For several years System X will have to work alongside the old electro-mechanical designs, as the old exchanges are gradu-

ally phased out.

Mr. Benton said the maintenance cost of the completed System X network would be only half that for the present system, since fewer staff would be needed to look after it. But this cost reduction was unlikely to be passed onto the consumer because of the need for investment in further improvements.

Fewer workers are also required for the manufacture of the new system although companies are reticent about stating the exact number. Manufacturers shed several thousand workers when orders for the older mechanical exchanges were cut three years ago. In 1976, the industry employed 36,000 workers with a forecast

then that this would be only 20,000 by 1980.

Last year the Post Office and its major suppliers formed British Telecommunications Systems to promote System X overseas. So far there have been no orders, although Mr. John Sharpe, the company's managing director, hopes that some success will be announced within four to five months.

British Telecommunications Systems has said it wants 10 per cent of the available world telecommunications market, currently running at £1bn a year. In 1963, Britain was the world leader in telecommunications. Ten years later it dropped to fifth place, and today it is not among the major exporters.

Cost of flood defence up £420m

By Philip Rawstone

THE ESTIMATED cost of the Thames tidal defences to protect London from flooding has nearly trebled to £550m, the Commons Committee of Public Accounts reported yesterday.

Inflation accounted for most of the £420m increase on the original estimate for the project of £230m in 1973, the committee said.

Ministry of Agriculture officials told the MPs that further cost increases were "regarded as inevitable."

The cost of the contract covering the construction of the barrier across the Thames at Woolwich, set in July, 1974 at £28m, had risen by December last year £248m.

Industrial disputes and other problems led to the renegotiation of the contract last year and the setting of a new target date for completion of December, 1982.

The committee welcomed assurances about the acceleration of work on the barrier and the downstream defences. The odds against serious flooding in central London before the target completion date were still "uncomfortably short," it said.

Industrial disputes and other problems led to the renegotiation of the contract last year and the setting of a new target date for completion of December, 1982.

Horizon widens holiday range

ANOTHER major package for operators, Horizon, has followed Thomson Holidays in announcing a big increase in its packages programme for next year.

Midlands-based Horizon plans a 1981 summer programme of 337,000 holidays—an increase of 15 per cent in capacity compared with this summer's programme. It will also fly from Gatwick Airport, from where it will offer 39,000 holidays.

Last month, Thomson announced a 1981 programme 20 per cent bigger than this summer's. Mr. Michael Knowles, Horizon's marketing manager, said yesterday that his company would not join in any price-cutting, even if the number of foreign packages holidaymakers remains at this year's level because of the recession.

Horizon's 1981 programme of 337,000 holidays—an increase of 15 per cent in capacity compared with this summer's programme. It will also fly from Gatwick Airport, from where it will offer 39,000 holidays.

Growth in London tourism 'will slow'

THE NUMBER of overseas tourists visiting London during the 1980s is expected to grow much more slowly, from 8m last year to perhaps 11m or 12m a year by 1990.

Growth in the number of domestic visitors, currently 12m, will also be much smaller," says Mr. Rodney Scrase, director of tourism of the London Tourist Board, in the board's annual report, published yesterday. Both international and domestic visitors are likely to stay in the capital for shorter periods of time.

Mr. Scrase says the highest priority for tax revision in the UK should be to reform and simplify income tax. The tax base should be broadened by removing the special provisions that erode it. The revenue should be used to reduce the tax rates, particularly for wage and salary workers who are still subject to very high marginal rates.

In a special chapter on North Sea oil, Hendrik S. Houthakker, of Harvard, says not much time should be spent worrying about what happens when the oil runs out. Abundant experience suggests that major oil fields usually have a long life—certainly longer than the 20 years often mentioned.

"On the other hand, there is little reason for the Government to hold back on development in the hope that the oil will be worth much more later on: such speculation should be

left to the oil companies."

"The macro-economic consequences of North Sea oil appear to have been exaggerated. It will neither transform nor ruin the British economy."

"But, if efficiently managed, it will mean limiting Government involvement to essentials—contributing to the well-being of the British people, and indeed of the whole western world."

Marshall E. Blume, of Princeton University, says in general, Britain's financial markets are effective in allocating savings to optimal uses. But there is still cause for concern about whether the increasing role of financial institutions is limiting the sources of finance for small companies, traditionally helped by individual sav-

Britain's Economic Performance, edited by Richard E. Caves and Lawrence B. Krause, published by the Brookings Institution and distributed in the UK and Europe by Basil Blackwell. Price £12 (hardback) and £4.95 (paperback).

Du Pont plans Ulster fibre plant closure

BY OUR BELFAST CORRESPONDENT

DU PONT is to close an acrylic fibre plant near Londonderry in Northern Ireland with the loss of 420 jobs.

The U.S.-owned company announced yesterday that the Orton fibre facility would be shut by the end of the year because of mounting losses.

The plant is one of four on Du Pont's site at Maydown near Londonderry, where a total of 1,800 are currently employed in the manufacture of fibres and synthetic rubbers.

Du Pont said it had been unable to reverse the continuing losses incurred by the Orton plant. These amounted to more than \$70m since the plant went into operation in 1968.

Extensive economies had been made in an effort to make the venture viable but they had been insufficient to reduce the deficit. The basic problem was over-capacity in the acrylic fibre business, the company said. This resulted in depressed prices throughout Europe. There was no evidence that the position would change in the foreseeable future.

In 1977 the Orton plant at Maydown escaped the axe, when because of over-capacity, Du Pont closed its Orton facility at Dordrecht in Holland.

The company has also recently looked into the possibility of setting up a new £30m plant in Europe for the production of Hypalon synthetic rubber and Maydown was understood to be the favoured location.

However, announcement of a decision has been delayed several times and there are now doubts among the trade unions involved that the project, which employ 200, will ever go ahead.

CRUBE AND SON, the security and electronics group, yesterday confirmed that it is to stop making cash registers at its Brighton factory with the loss of 550 jobs.

Crubb management met union representatives from the Amalgamated Union of Engineering Workers to inform them that

the factory at Hollingbury, Brighton, would be shut as soon as possible. The 375 jobs at the factory will be lost and the remainder throughout Crubb Cash, the subsidiary involved.

Mr. William Randall, Crubb's managing director, said yesterday the company would continue to develop, produce and market cash dispensers. Full service facilities for cash registers would continue to be available to all existing users and there would be no question of a time limit on the availability of facilities.

Yesterday's decision had been widely predicted since March. The company had only 5 per cent of the UK market for cash registers.

THE RECESSION in the furniture industry has forced Weyrooe—a member of the Swedish Match Group—to close its chipboard factory at Weybridge at the end of this year, instead of at the end of 1981, as originally planned. About 60 workers will become redundant.

THE Perkins diesel engine company at Peterborough yesterday sent home, until September 23, 200 workers in its V-8 engine production plant at Fletton. Reduced demand for the engines is the explanation.

H. AND R. JOHNSON, of Tunstall, Stoke-on-Trent, which produces tiles, is to make about 180 people redundant at two factories in Stoke-on-Trent, the Royal Worcester Spode plant at Longton, Stoke, is to be closed, causing around 50 redundancies.

ALKAL have started at British Steel Corporation's plant in Corby, Northamptonshire, which could mean short-time working for some of the 5,000 workers employed there on tube making.

BSC is expected to make an announcement next week following the start of negotiations involving union officials at the plant, where nearly 6,000 workers have already lost their jobs through the ending of steel making there.

CRUBE AND SON, the security and electronics group, yesterday confirmed that it is to stop making cash registers at its Brighton factory with the loss of 550 jobs.

Crubb management met union representatives from the Amalgamated Union of Engineering Workers to inform them that

'Reject the moderates' says Heffer

By Philip Rawstone

MR. ERIC HEFFER, a leading Left-wing member of Labour's National Executive, last night called on the party to reject the moderates' attempts to dilute its socialism.

In a speech at Birkenhead, Mr. Heffer appealed for tolerance and unity at the forthcoming party conference. But he added that those who entered the arguments about party policy and constitutional issues with threats about leaving to form a new party should be repudiated.

"If any individuals feel they cannot honestly accept conference policies and they want to join the Liberal or any other party, then they should do so and not try to turn Labour into the opposite of what it was created for," he said.

"Those who see Labour's conference as a place to manoeuvre, to thwart the forward thrust and socialist aspirations of the majority of party members, must be resisted and defeated by democratic votes."

"Britain's problems—and the solutions required—are too severe to allow Labour's socialist aspirations to be rejected."

Process industry chases orders

BY ELAINE WILLIAMS

THE British process plant industry hopes to win at least half the orders for Occidental Petroleum's proposed \$825m investment in the UK, Mr. Harry Hornsby, director general of the Process Plant Association, said yesterday.

Occidental Petroleum has announced three separate projects in the UK—for a floating production platform, a petrochemical plant at Peterhead in Scotland, and a reactivation of its plants for a refinery at

Bankers told of 'vast growth opportunity'

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

THE PERSONAL sector of the banking market provides banks with the greatest opportunity for growth in the 1980s, delegates to the Institute of Bankers' annual conference heard yesterday.

They were told that the country had a further potential market of about 11m accounts, which might represent an additional cash throughput of about £40bn a year.

The points were made in a paper prepared by the late Lord Armstrong, former chairman of the Midland Bank. It was read by Mr. Malcolm Wilcox, one of the bank's two chief executives.

In the paper Lord Armstrong says that bank managements must consider the possibility of paying interest on current accounts.

Before his death in July, it is known that he had called for investigations into his own bank about the way in which such a revolutionary change in practice might be carried out.

"This would be a major change in fundamental banking practice in this country and would inevitably result in the banks having to adjust their current account tariffs upwards to cover the additional costs," Lord Armstrong says that

only 54 per cent of the adult working population is estimated to have a bank current account at present.

"The banks' primary business is to lend money, profitably, and the personal sector provides the greatest opportunity for growth, particularly in relation to the introduction of new accounts."

"An increased personal-customer base provides an opportunity for remunerative, highly automated lending, and it is probable that the demand for borrowing facilities will be the major influence in developing the banking habit."

● Fewer bankruptcies and company liquidations were recorded in August, though seasonally adjusted figures show that the underlying trend in insolvencies remains discouraging.

Company liquidations for the month totalled 379, against 654 in July and 289 in August last year. The adjusted total was 600, a slight rise on July's 575 and sharply higher than the 383 liquidations of August, 1979.

Bankruptcies last month fell to 193 from July's 393, compared with 176 in August, 1979.

The figures come from British Business, monthly magazine of the Department of Trade. Previously, they have been released only for each quarter.

Origins of Britain's productivity problem 'lie deep in social system'

Peter Riddell looks at a major new study of the economy

BRITAIN'S economic malaise stems largely from its productivity problem. The origins of that lie deep in the social system, a group of leading U.S. and Canadian economists say in a study of the UK economy published today.

They dismiss solutions based on either import restrictions or generalised incomes policies. The study, sponsored by the Brookings Institution, the Washington research body, is a sequel to an analysis of the UK economy, Britain's Economic Prospects, published in 1986.

This concentrated on the disappointing performance of the UK, especially its slow rate of economic growth, compared with other countries.

The new book, entitled Britain's Economic Performance, focuses on a narrower range of topics such as tax, trade union activity and financial markets. It also incorporates the comments of leading British economists and policymakers following a conference at Ditchley Park in May 1979.

Richard E. Caves, of Harvard

University and Lawrence B. Krause of the Brookings Institution have edited the study. In their introduction and summary chapter they say: "One approach would strike directly at the productivity problem itself by improving industrial relations (if that were possible), by increasing individual incentives, by improving the allocation of capital (for instance, to small firms) and the like."

"The other approach is less positive, but no less important, policymakers could do a better job of living within the constraint implied and convincing the people to do likewise. It is bad enough to endure relative impoverishment; it is not to be made worse by inflation."

The two editors examine the reasons advanced for this poor performance. They discuss whether the UK has the potential for producing more from its current output.

They suggest that the fact that inflation has increasingly won out over real growth since 1973 puts the existence of an output gap in question.

Similarly, they question whether the fight against inflation has been crippled by inflationary disturbances. Rudiger Dornbusch and Stanley Fischer of Massachusetts Institute of Technology say the relationship between British levels of spending and import demand is not out of line with that of other industrial countries. British imports and exports do respond to economic mechanisms.

While depreciation of sterling in the past has not reduced real wages for long the difficulty seems to lie in the domestic labour market rather than in some peculiarity of international trade.

Professor Caves and Mr. Krause decline to "convict"

British economic managers of "causing the disappointing economic performance through inept setting of the macro instruments."

The individual chapters do not attempt an overall explanation of Britain's performance but concentrate on particular aspects. For instance, David C. Smith, of Queens University, investigates both the recent increase in trade union membership and the factors explaining the rising trend of industrial disputes.

Mr. Smith finds that union membership rose in response to severe unexpected changes in inflation and the associated increase in the demand for unions' collective bargaining services.

The growth of unionisation has also been positively related to strike activity. And higher and more uncertain rates of inflation directly provoke an in-

crease in strikes.

To get the support of trade union leaders for curbs on inflation and strikes, Government may be willing to trade off some measures that permit greater future organisational opportunities for unions.

"To the degree that the upward pressure on average wage rates is higher in periods of greater union growth, these measures will produce even higher inflation rates than would otherwise occur."

Britain's relatively poor productivity performance is examined by Professor Caves who matches UK manufacturing industries with their U.S. counterparts.

"His results tend to confirm traditional hypotheses about the shortcomings of British management and the obnoxiousness of British labour. The toll on productivity taken by poor labour relations is proportional not so

much to union membership as to the disruptiveness of labour relations (number of strikes and working days lost), and the problem is worse in the nation's older industrial regions."

The analysis implies that manufacturing activity in the UK will tend, in the long run, to shift from industries most crippled by the basic sources of Britain's low productivity to those less disadvantaged—from large-scale assembly industries to small-scale or process industries and to industries using female labour forces.

Joseph A. Pechman, of Brookings, notes that although Britain's tax system is famous for imposing high marginal rates on relatively modest levels of personal income, various mitigating features—such as a rather light rate of effective taxation on corporate income—make the system not particularly progressive overall.

Mr. Pechman says the highest priority for tax revision in the UK should be to reform and simplify income tax. The tax base should be broadened by removing the special provisions that erode it. The revenue should be used to reduce the tax rates, particularly for wage and salary workers who are still subject to very high marginal rates.

In a special chapter on North Sea oil, Hendrik S. Houthakker, of Harvard, says not much time should be spent worrying about what happens when the oil runs out. Abundant experience suggests that major oil fields usually have a long life—certainly longer than the 20 years often mentioned.

"On the other hand, there is little reason for the Government to hold back on development in the hope that the oil will be worth much more later on: such speculation should be

Treasury appointment

BY PETER RIDDELL

A New Press Secretary to the Chancellor of the Exchequer and head of the Treasury Information division has been appointed.

Mrs. Rosalind Gilmore will take over next week from Mr. Peter Davies, who has been promoted to Under-Secretary on loan to the National Economic Development Office.

Mrs. Gilmore, aged 43, is now assistant secretary in charge of the financial institutions division on the home finance side of the Treasury.

Such a post was particularly involved in the preparation of last year's Banking Act.

Before that, her posts included periods at the World Bank as private secretary to Mr. Harold (now Lord) Lever and in the division of the Treasury involved with nationalised industry financing.

Marshall E. Blume, of Princeton University, says in general, Britain's financial markets are effective in allocating savings to optimal uses. But there is still cause for concern about whether the increasing role of financial institutions is limiting the sources of finance for small companies, traditionally helped by individual sav-

Britain's Economic Performance, edited by Richard E. Caves and Lawrence B. Krause, published by the Brookings Institution and distributed in the UK and Europe by Basil Blackwell. Price £12 (hardback) and £4.95 (paperback).

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Future of oil rig yard is in doubt

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE FUTURE of the Ayrshire Marine Construction oil rig yard at Hunterston, on the Firth of Clyde, now hangs in the balance following late-night talks on Wednesday between the company and union officials.

Mr. James Murray, general secretary-elect of the Boilermakers Union, and Mr. Ken Baker, the national officer for shipbuilding of the General and Municipal Workers Union, met representatives of the U.S. company Chicago Iron Bridge, which owns the yard, in London.

The company had earlier said it would close the yard because of its record of bad industrial relations. The yard's 900 manual workers are now entering the third week of a strike over alleged flouting by the yard's management of health and safety precautions.

Ayrshire Marine is building the bottom part of a 60m oil drilling platform for Phillips Petroleum, now running some months behind schedule and due to be completed by the summer of 1982.

Phillips is believed to have told Ayrshire Marine that it intended to move the platform to a yard in Holland for completion. The managing director of Ayrshire Marine, Mr. Bud Butterfield, would make no comment yesterday.

Mr. Baker said yesterday that he and Mr. Murray had strongly urged the yard's parent company to reconsider its plans to close the yard, which would mean a loss of more than 1,000 jobs. He said that both he and Mr. Murray would make determined efforts to improve the industrial relations there.

He said: "They are going to take away what we said, give it consideration and then come back to us. My impression is that they feel very strongly about it indeed."

Earlier this week, 48 workers who were picketing the yard were arrested by police and charged with public order offences. Some 40 pickets were at the entrance to the yard yesterday but there were no incidents.

Lay-off threat in Vickers dispute

By Our Labour Correspondent

VICKERS Shipbuilders, part of British Shipbuilders, said yesterday that it would begin lay-offs at its yard in Barrow from September 22 if a strike by 1,300 boilermakers is not ended by next week.

The management has discussed possible lay-offs with all the unions in the past week, and will seek further talks if the dispute continues.

Design and other work by white collar workers continues at the yard, but other grades are rapidly running out of work as a result of the action.

The dispute, now in its seventh week, concerns special payments to some groups of boilermakers which the Boilermakers' Union says lie outside the national agreement on productivity payments.

The strike has already delayed the launch of a guided missile destroyer, HMS Manchester, and work on four nuclear submarines.

Support for deployment of Cruise missiles in Britain

Call to withdraw from NATO rejected

DEMANDS THAT Britain should embark on unilateral disarmament and withdraw from NATO were rejected by the Liberal Assembly at Blackpool yesterday.

The final outcome of a fiercely argued and at times emotional debate on defence policy clearly delighted Mr. David Steel, the party leader.

Although some of his Parliamentary colleagues strayed from the official party line, the main danger which Mr. Steel had feared—that the assembly would adopt a defence policy barely distinguishable from that of the Labour Left—was averted.

Mr. Richard Wainwright, the party's spokesman on Treasury and economic affairs, was the main rebel among the party leadership.

Reports by John Hunt and Ivor Owen

An electrifying speech by Mr. David Penhaligon, MP for Truro, was a major factor in ensuring that Mr. Steel was spared a similar embarrassment to that which the Labour Conference inflicted on Mr. Hugh Gaskin at Scarborough 20 years ago.

He challenged delegates, advocating that Britain should unilaterally disarm, to say whether they wanted the U.S. to do the same.

His devastating response to a loud chorus of "yes" was: "Then you are advocating surrender."

Mr. Penhaligon continued that if Europe no longer had the support of the U.S. it would

not be long before Russian tanks were heading for the Channel ports.

He asked interrupters who disputed this view: "What evidence is there that they will not take the risk if they think they can get away with it?"

Mr. Penhaligon went further to applaud when he made it clear that his support for the deployment of Cruise missiles in Britain was dependent on the British Government having a veto on their use.

He declared: "I will not vote for Cruise missiles to come into the UK in any circumstances unless there is a two-key system to operate them."

A show of hands was sufficient to defeat the unilateralists who seemed to be outnumbered by about two-to-one.

The possibility of Mr. Ronald Reagan occupying the White House and having his finger on the nuclear trigger was a recurring theme in the speeches of delegates, who pressed for a European defence force independent of the U.S.

Mr. Sherwell maintained that Britain's withdrawal from NATO would encourage détente and possibly lead to a Russian withdrawal from the satellite States in Eastern Europe.

Two defence computer mak-



David Penhaligon: electrifying

"If there is no détente, nuclear war, sooner or later, is inevitable," he said.

Mr. Sherwell questioned whether the U.S. would consult her NATO allies before launching a nuclear riposte in the event of a sudden crisis.

functions resulting in the USAF being put on red alert and ready to launch a nuclear strike have proved that in an emergency the U.S. will act with no consultation at all," he insisted.

Mr. Alan Beith, MP for Berwick-on-Tweed, and the party's chief whip in the Commons, hit out at the anti-Americanism employed by some of the critics of NATO.

"Liberals are not neutral between totalitarianism and democracy," he declared amid cheers.

While there might be things which people did not like about Mr. Reagan, the idea that a country which elected its President and had got rid of Richard Nixon could be regarded in the same light as the Soviet Union was absurd.

Mr. Beith warned delegates that they would place Mr. Steel in an impossible position, if they approved Britain's withdrawal from NATO and left the country dependent on a "European dream."

He said the Liberals wanted to get rid of the Cruise missiles, but equally wanted to see such weapons withdrawn from the Russian armoury as well.

Shell claim includes BL car

By Gareth Griffiths

COMPUTER, technical and supervisory staff at Shell UK's chemical plants have lodged a pay claim which is based on the Government's controversial Tax and Social Security Index, and includes a demand for BL cars to be supplied as a fringe benefit.

The Association of Scientific, Technical and Managerial Staffs yesterday presented a four-part claim and Shell UK will reply with an initial offer on October 2. The union says the claim covers 4,000 staff, although the company estimates 2,300 are covered.

TPI which is now running at a higher rate than the Retail Price Index.

The use of the TPI is likely to prove an embarrassment to the Government which introduced the index as an alternative to the RPI in the interests of wage restraint.

The ASTMS wants staff at Shell to be provided with BL's Mini Metro car. Mr. Ward argues the cost of the car equals wages lost during the operation of the last Government's pay policy.

He said Shell shareholders had been provided with a catch up payment to compensate for a period of dividend control and the union wants the same deal for Shell employees.

Metros would provide a boost for the flagging car company as well as providing a fringe benefit, he said.

Shell executives are sceptical of the Metro claim, viewing it as a publicity stunt. Shell says its wages policy is not governed by profitability and that the union argument is therefore irrelevant.

The claim includes an increase in holiday entitlement from four to five weeks and a reduction in the working week from 37 to 35 hours. The settlement date has moved from January to the beginning of October.

BL said last night it awaited the outcome of the Shell ASTMS talks with interest and that it would be delighted to meet any order of this kind.

ASTMS urges laboratory safeguards as smallpox report is launched

By Gareth Griffiths

THE Association of Scientific, Technical and Managerial Staffs, which represents a majority of the 50,000 to 60,000 people working in hospital laboratories, is to put pressure on the Government to increase spending on safety measures.

Mr. Clive Jenkins, ASTMS general secretary said yesterday that working in a laboratory was more dangerous than working on the factory floor. He was speaking at the launch of an ASTMS report on the smallpox case at Birmingham University in 1978 when a union member, Mrs. Janet Parker died.

The report is to be sent to the West Midlands Coroner and is highly critical of safety standards at the laboratory. Mr. Jenkins said eminent scientists who had advised on safety were

not eminent in the field of laboratory safety.

ASTMS says it is determined to "erect, brick by brick if need be, a stronger barrier than chance to protect the rest of its members and the population as a whole."

The union has issued 15 writs against the university in connection with the Parker incident. Mr. Jenkins said a couple of hundred cases a year were handled by the union dealing with illnesses caused by laboratory infections.

ASTMS estimate it would cost "a score of millions of pounds" to implement proper safety procedures in the laboratories. It claims there is already working party behind the official Department of Health and Social Security working party on the subject, looking at the

cost benefit effects of such expenditure.

Mr. Jenkins suggested government spending policy as one of the main reasons for the lack of action. Several hundred laboratories handling diagnostic cases are included under those handling dangerous pathogens.

The DHSS said last night it had given hospitals and university laboratories until the end of the financial year 1981 to 1982 to implement Government proposals on safety procedures. It discounted reports of a secret working party on the issue and said the department was very concerned.

Mr. Jenkins has written to the Health and Safety Commission to ask for a meeting on the subject. He also hopes the matter will be raised when Parliament reassembles.

Daily Express talks break down

By John Lloyd

TALKS between the National Graphical Association and the Daily Express broke down early yesterday morning after the management objected to the NGA's refusal to print the London edition of the Daily Star, one of the Express Group newspapers which originated in Manchester.

It is believed that the NGA leaders had thought agreement was near, until the meeting ended abruptly on the management's insistence. No further

talks were held yesterday and the company would make no comment.

However, it is believed that talks will be held today, probably involving Mr. Les Dixon, the NGA president.

The dispute, which halted the Daily Express London editions on Tuesday and Wednesday nights and the Star's London edition on Wednesday night, is over management's insistence that Linotype operators identify the copy they have set

so that they may be paid individually rather than from a pooled lump sum, as at present. It is believed that management has asked for wide-ranging economies throughout the Express, of which the new payment system is a part.

NHS hospital engineers reject offer

CHANCES of serious disruption of National Health Service hospitals rose yesterday when leaders of qualified and supervisory engineers voted two-to-one to reject a 13 per cent pay offer.

Rejection of the offer, with a ballot of the engineers on their readiness to take industrial action, was supported by 131 delegates from throughout Britain at a National and Local Government Officers Association meeting in London.

NALGO's National Health committee will consider the ballot proposal on September 19. Its national emergency committee would finally have to sanction a ballot which could lead to such action as the 1978 work-to-rule which disrupted hospitals because the maintenance of essential equipment was delayed.

The 3,700 engineers could be joined in action by hospital administrative and clerical workers who meet next week to consider their 13.8 per cent offer.

Some delegates at yesterday's meeting, felt however, that many members were not in the mood to take action over 2m unemployed. One said they would be "crucified by a Government waiting for someone to take on."

Measures urged to stop beach pollution

THE OWNERS of oil cargo on board tankers which pollute Britain's coastline should be held legally responsible, the assembly decided yesterday.

Delegates carried a resolution calling for immediate steps to cut oil and other marine pollution, insisting that when beaches were contaminated the polluter should be made to pay for the damage caused.

But a resolution calling for oil tankers sailing under flags of convenience to be banned from British ports was defeated by 37 votes (198-161).

Mr. Barry Skelcher, prospective candidate for Lowestoft, who moved the resolution, cited the pollution caused by the Eleni V on East Anglian beaches in 1978 to demonstrate the need for more rigorous preventive action.

He estimated that it had cost £3m to clean up the mess, but so far no compensation had been paid.

As a result, the taxpayers and ratepayers had been left to foot the bill.

To cheers, Mr. Skelcher urged the Government to make stronger efforts to secure internationally agreed safety and training standards for ships and crews of all oil carrying vessels.

"We want to improve the safety standards of these bulk carriers and reduce to an absolute minimum the possibility of an accident at sea," he said.

Mr. Bernard Dann, chairman of the Wirral constituency Liberal Party and a marine insurance specialist, warned against banning tankers sailing under flags of convenience from British ports.

He emphasised that the Red Ensign was one of the most important flags of convenience. What really mattered in combating marine pollution was the quality of training, the quality of supervision and the quality of the ships themselves.

Study into safety at work

THE LEVERHULME Trust has awarded a £30,000 research grant to the University of Glasgow to study the effectiveness of joint union-management health and safety committees which have increasingly become established as a result of the 1974 Health and Safety at Work Act.

They are part of the strategy to reduce the costs of industrial accidents. In human terms, these stand at around 2,000 deaths a year. More working days are lost through industrial accidents than through strikes.

The researchers will try to identify the key factors determining the effectiveness of the committees by interviewing safety personnel in a sample of 50 plants in the United Kingdom. The study will concentrate on those industries with the highest accident records (metal manufacture, coal and petroleum products, shipbuilding, and bricks, pottery, glass and cement) and those with the lowest (clothing and footwear, leather, instrument engineering and electrical engineering).

The final results of the project being undertaken by Research Fellows Mr. John Leopold and Mr. Robert Coyle, should be available early in 1982. They will be reporting back to industry to help guide the practice of health and safety practitioners.

Pension funds threat to farms

By John Hunt, Parliamentary Correspondent

INVESTMENT in farm land by pension funds and other financial institutions came under bitter attack by conference speakers during the main agricultural debate yesterday.

It was argued that the massive funds being poured in by institutions and "city speculators" were forcing up the price of land, killing off small farms and making it almost impossible for young farmers to buy their first property.

Mr. Geraint Howells, MP for Cardigan and the party's agricultural spokesman, told delegates: "One of the most powerful threats to the availability of land for the family farm is the way in which financial institutions—particularly pension funds—are buying up huge tracts in this country."

The pension funds, who would have a total income of £20bn by 1985, were purchasing

most of the farm land which was put on the market annually.

They believed that this was one of the safest long term investments they could make, because over the next 25 years its value would appreciate by at least as much as the level of inflation.

"How can an ordinary farmer compete with such powerful investment as this?" asked Mr. Howells.

In addition, more and more agricultural land was being lost to industry or through developments, road building and road widening.

He also complained of the way in which many county councils were selling off their small holdings. It was tragic to see this last source of land taken away from young people who were starting out in farm-

ing. He made a special plea to the councils and their chief executive officers to rethink their policy.

Mr. Tony Rogers, Liberal candidate for Totnes, said that because over the next 25 years its value would appreciate by at least as much as the level of inflation.

"They are not interested in the future wellbeing of British agriculture or the consumer," he said.

"They are interested only in capital appreciation which results from rocketing land values."

"These are abuses which should be stopped. Soaring land prices, high interest rates and taxation problems make the dream of the young farmer own-

ing his own farm even more remote."

The conference approved a resolution moved by Mr. Stanley Blow of the party's agricultural panel, calling for a Family Farm Finance Scheme to provide low interest loans for stock and equipment for new entrants to farming.

It also demanded the progressive abolition of all current forms of capital taxation on land and the introduction of a system based on annual taxation of unimproved land.

Councillor Philip Beckerlesse, of Tewkesbury, moved an amendment for the proposed scheme to be extended to provide low-cost long-term finance for the purchase of farms.

But the amendment was defeated by 93 votes to 88, after Mr. Blow objected that it would only result in further increases in the cost of agricultural land.

Fighting through defence tangle

THERE IS something about nuclear disarmament and defence which brings out the dark element in political parties.

At Tory annual conferences ageing military gentlemen occasionally arise with demands that Russia should be bombed into stone age.

At similar Labour gatherings, the wilder elements call for all British armaments to be dumped into the sea on the dubious premise that Britain has nothing to fear from the cuddly men in the Kremlin.

At Blackpool yesterday, the Liberals, in their usual endearing way, appear to have got themselves into a hopeless tangle on defence.

Against bannings tankers sailing under flags of convenience from British ports.

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dependence on the U.S.

The effect of this choice, however, was somewhat weakened by the knowledge that no other European nations had shown any enthusiasm for it.

Rather optimistically, Lord Evans, who was in the chair, declared that the debate had been very carefully structured to give a clear picture of European defence policy.

The effect of his words was rather lost when mention of Mr. Stephen Ross, the party defence spokesman, provoked loud hissing from a clique of young Liberals gathered at the front of the hall.

To be fair, the two-hour

debate was on the whole a sober and cogently argued affair. Some of the sillier speeches from the unilateralists were rapidly laughed out of court.

Ruth Addison, former chairman of the Young Liberals, suggested that complete disarmament would not leave us defenceless. If an invading force landed we should simply refuse to co-operate with them by refusing them transport and food. The best answer, she suggested, was the formation of a citizens' militia.

Steve Atak, another former Young Liberals chairman, also appeared to think that flower

power was an adequate defence against tanks.

"Let our magnanimity be our defence. Let our generosity be our deterrent," was his slogan.

Mr. David Penhaligon, MP for Truro, was having none of this rubbish. He accused some of the critics of behaving like virgins in a brothel when it came to defence questions.

There was no sign of the rumoured demonstration of protest by Young Liberals, although one disgruntled fellow stamped out of the hall shouting that the "middle class gits" in the party had once again won the day.

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Sales rose by £50 million (17%) to £344 million. Department store sales increased by £20 million (12%) and sales in Waitrose supermarkets by £30 million (25%).

Trading profit was £182 million, £17 million (9%) lower than last year's record figure. Waitrose trading profit rose by 25%.

Profit sharing. Interest payable rose by £1.8 million principally because of higher interest rates. The profit available for reserves and profit sharing was £9.2 million, 28% lower than last year. Allocation between reserves and profit sharing is determined when the results for the full year are known.

For further details of the results and/or the John Lewis Partnership please telephone 01-637 3434 Ext. 6221.

John Lewis Partnership Limited Consolidated Results	1980 £ million	1979 £ million
Sales (including VAT)	344.0	294.0
Trading Profit	162	179
Interest	3.8	2.0
Pensions/Funds Contributions	2.8	2.7
Preference Dividends & Related Tax	0.4	0.4
Surplus available for profit sharing and, subject to further taxation, for retentions	92	12.8

BASE LENDING RATES	
A.B.N. Bank	16 %
Allied Irish Bank	16 %
American Express Bk.	16 %
Amro Bank	16 %
Henry Ansbacher	16 %
A.P. Bank Ltd.	16 %
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Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

ELECTRONICS

Significant power transistor move by Ferranti

FERRANTI, THE UK electronics and defence group, has taken a new initiative in a market strategically as important as memory and processor chips and which should be worth £1bn by the mid 1990s.

It has acquired the marketing rights and the technology to manufacture high-power transistors—known in the business as vertical current flow metal oxide silicon power field effect transistors (Vmos power fets).

That mouthful conceals the simple fact that microprocessors, amazingly versatile though they are, are not good at handling high voltages or high currents—yet most of the sorts of devices one wants to control in the real world use relatively large amounts of power.

The transistors Ferranti is now to market will handle, that power—up to 650 volts and 8 amps. They form therefore the vital link between the chip and its applications.

Examples of applications include integrated circuit logic interface drivers, timing cir-

cuits, power supply circuits, audio amplification and control circuits for three phase motor speed controls.

Ferranti has signed technology exchange agreements for the transistors with Supertex Incorporated, a U.S. company based in Sunnyvale, California which Ferranti believes has a leading position in the technology needed to make the transistors.

Ferranti said yesterday that there was a large market in individual electronic components—that is components not integrated together in silicon chips, and that it intended to specialise in that market. It said that while silicon devices will eventually dominate the industry, specialised components such as power transistors will never be replaced by chips and that was the direction it was going to take.

In Europe, 42 per cent of all electronic products are made using discrete components compared to only 37 per cent in the U.S.

Flat wafers yield more chips

THE YIELD of microelectronic chips from individual silicon wafers could be markedly increased by a new laser-based system.

The Tropel division of the U.S. laser-to-optics company Coherent, has introduced what it claims is the world's first automatic wafer sorter. At a cost in the UK of some £70,000, the "Autotest" system tests each wafer for flatness before the wafer is used to create the microelectronic chips.

£70,000 may sound a lot for a gadget which simply tests the flatness of glass discs, but the potential for raising the yield of chips—traditionally very low—is great.

Wafers are simply discs of silicon cut from large crystals

of pure silicon on which are printed the microelectronic circuits, components and interconnections.

Each wafer has to be over-printed perhaps 11 times, and fractional misalignment of each printing mask will render the individual chips useless.

It helps, obviously, to start with a wafer which is as flat as possible. Each individual chip is printed as small as possible to make for compact circuitry, but also to give the best chance of missing the inevitable imperfections on the wafer surface.

Flatness testers are, of course, already in use, but "Auto Sort" is fully automatic. Wafers are moved from a dual cassette input station and pre-aligned so that the focal plane

PROCESSING

Controls the flow of gin and vodka

TWO PROGRAMMABLE logic controllers form the central part of a flow control desk supplied by Thorne Automation, Rugeley, to James Burroughs in London, for use in the production of gin and vodka.

The system controls the transfer of fluids from stills to storage tanks and bottling halls. The transfer from the stills to the storage tanks and blending tanks is controlled by one unit and the second handles the remaining routes.

The controllers sense the closure of a route push button, store the request, verify the route and illuminate "route verified" lamps. If the route is rejected a "route invalid" lamp will light.

Once the route is verified fluid transfer is commenced by depressing the "activate" push button. This will set the route by switching the connections from the flow meter to the tank content counters, resetting the appropriate batch counters and opening the route valves.

Flow continues until the system is drained and purged automatically: a push button for manual operation of the manifold range and system purge is also provided. The operator can abort the transfer of fluids by operation of a "de-activate" push button.

The programme is stored in programmable read only memories (PROMS) and cannot be corrupted or destroyed by operator error or equipment malfunction.

COMMUNICATIONS

Optical fibre link completed

REPORTS HAVE come from the GEC, BICC and Plessey about the installation of optical fibre communications links on Post Office (British Telecom) routes.

The GEC, which claims to be the only company to have received orders for all three of the bit-rate capacities in the British Telecom proprietary optical system, is involved in a total route length of 179 km. The major route carrying traffic at 140 megabits extends from London to Reading. A further route of 48 km will operate at 34 Mb/s between Reading and Oxford, while sections between Oxford and Banbury (39 km) and Arrington to Cambridge will work at 8 Mb/s. The links, which are now complete, have been supplied by Telephone Cables (the eight fibre cable), and GEC Telecommunications (terminal and repeater equipment).

At the same time, Plessey and BICC have completed work in the West Midlands on a 9 km link between Brownhills and Walsall: in the next two years

14 such systems are to be supplied by the two companies to British Telecom.

The significance of these new transmission systems is longer-term rather than shorter, and they should really be seen as a parallel development to digital electronic switching (telephone exchanges). Although they offer high capacity for their relatively small diameter and light weight and are not prone to inductive interference, they will come into their own when they are linking digital exchanges on a nationwide basis. When that time comes—and it is a question of the amortisation and redundancy of the present facilities with a phasing in of the new—then all kinds of information, including telephone voice signals, computer data, video signals, text (the much discussed "electronic mail") and various kinds of remote control data will all be sent and switched over a common, nationwide digital system.

The amounts of information involved will become increasingly large but with the appli-

cation of multi-fibre cables, expansion to meet that demand will be much simpler than in the past.

Even at the present stages of development a single pair of cables can easily carry 2,000 telephone conversations, all moving at the same time in the form of simple on and off but extremely rapid light pulses. The capacities of fibres will probably increase, although there is in any case no problem in incorporating hundreds of them into a single cable.

The prospects are exciting: cables of this kind can be put in on-trunk routes at a capacity unlikely to be exceeded for many years, while into offices and homes it will become possible to run wideband cables that will easily carry large numbers of television channels and large amounts of computer-like data at low cost.

Such developments might otherwise prove impossible because of the cost of implementing such links with conventional copper bearers and present transmission techniques.

GEORGE CHARLISH

COMPUTING

Will even check the spelling

TWO FURTHER offerings of text processing machines have been made by IBM, one for use where file records need to be processed and larger systems may be needed (model 5520) and the other, called Displaywriter, for more straightforward word processing essentially in a stand-alone mode. Both have communications facilities.

Displaywriter consists of a tilting and swivelling display module with electronics housed in the base, a detachable keyboard, diskette (single or dual) for data and program storage and a golf-ball printer working at about 15 characters/sec. They are cable-connected.

A rather remarkable feature of Displaywriter is that it is able to check the typist's spelling after a document has been completed. At logic circuit speed, the machine actually matches each word typed, letter by letter, against correct spellings held in memory, taking about 20 secs per page. If an error is discovered, the offending word shows up in the text, on the screen, in reversed (black on white oblong) form.

The system can check about 50,000 common English words (English or "U.S. English") can be chosen on loading the software from diskette). In addition, however, users can add several groups of 500 words of their own that are specific to their business—solicitors or engineers, for example.

Apart from this the machine can perform all the customary word processing operations such as additions, deletions and changes to the text with the assistance of a locational cursor on the screen, movement of whole paragraphs or sentences from one place to another in the text and repetition of selected stored phrases. Throughout the keyboarding process simple messages and prompts appear on the screen to guide the typist—learners can quickly master the machine.

The communications facilities of the Displaywriter mean that documents can be sent from location to location over telephone lines either within one company or between companies, although in the latter case IBM advises reference to the Post Office first.

The information can be sent in a batch mode, or terminals can be in continuous communication in an interactive fashion. This so-called "electronic mail" facility has the obvious advantages of speed and convenience and also means that a message in the unit's memory can be sent by entering appropriate instructions on the keyboard, in



the middle of the night when tariffs are low.

The second announcement from IBM is of the 5520 Administrative System which, apart from text processing also allows file records to be manipulated and merged in with text and provides facilities for document distribution.

Also based on screen, keyboard and diskette storage, this system allows the creation, storage, retrieval and editing of documents ranging from single page memoranda to multi-page reports. It supports the origination and maintenance of user-defined files and allows information to be extracted from these files for immediate enquiry or listing in various sequences for inclusion in such documents as repetitive letters, forms or reports.

Communications facilities include store and forward, distribution according to stored address lists and the ability to segment the list so that various numbers of copies can be sent to their destinations at different times.

The new Displaywriter, which is to be made in Italy, is scheduled for first deliveries in February 1981 with a basic price of about £5,000. More from the IBM General Business Group, PO Box 32, Basingstoke, Hants RG24 0JL (0256 56144).

MACHINE TOOLS

Lathe has dual role

MANUFACTURED BY Ludwig Hunger GmbH of West Germany a new computer numerically controlled lathe may be used as a chucking auto having power chucks of 130-315 mm diameter either solid or through bore and a maximum swing of 400 mm.

Alternatively, it can be used as a bar auto having a maximum diameter of 42 mm and 62 mm depending on the headstock design. Through bore chucks permit the lathe to be used as a bar machine in conjunction with bar feed or bar drawing equipment.

The machine is being distributed in the UK by George Kuikka, Hill Farm Avenue, Levensden, Watford, Herts (0273 70611).

MATERIALS

Soaks up spillages safely

BECAUSE OF its cheapness—and despite its potential fire hazard—a sawdust has been the traditional material for mopping up oil, grease, messes etc. on engineering shops and factory floors.

Now, it has the additive of a fire-retarding chemical produced by a National Coal Board subsidiary, is launched as Pyrasorb, and promises not to burn or carry a fire-risk.

Industrial spillage in this country has been dealt with by the use of imported mineral-based granules, but Pyrasorb is said to be a far superior absorbent and—in tests carried out by Cardiff analysts Minton, Trehanne and Davis—it was found to absorb twice as much water, three times as much

lubricating oil, and twice as much cutting oil as its most efficient rival.

The NCB originally used the chemical additive to fireproof chipboard, timber and even clothing, and it is now used to pulverise wood fibres to produce a green-tinted sawdust for absorbing industrial spillage at the Tynes factory of H. & K. Sims, The Old Mill, Down St Mary, Crediton, Devon (03633 300).

The company says its new product has been undergoing successful tests at Rolls-Royce, Derby and British Aerospace, Bristol, and Pyrasorb's flame retardant properties have been thoroughly assessed by the Warrington Research Centre where it was found to comply

with BS 476 Part 7 Fire Test. Six specimens were subjected there to intensive furnace heat but no spread of flame resulted along the test samples.

Only 12 per cent of the specially developed chemical is added to the sawdust to create Pyrasorb which is available usually in quantities from six tonnes upwards, delivered in 25 kilo amounts in heavy gauge heat-sealed polythene sacks.

As it can actually be used to put out fires, the company sees a potential for the product on the domestic front where it could be handy stored in the kitchens of houses, hotels, restaurants or canteens, promising when applied to obviate the mess caused by ordinary fire extinguishers or the fire brigade.

REFRIGERATION

Purges air from large plants

OPERATORS OF commercial refrigeration plant concerned by increased running costs caused by leakage of air into their systems are being offered a fully automatic air purger.

It is made by Van Run Uitbouw of Rosmalen, Holland and sold in the UK through Marka Engineering, Crystalline Works, Golden Green, Tonbridge, Kent TN11 0LH. Suitable for use in the food

processing, cold storage and chemical industries, the "Valtrex" air purger avoids the plant shutdown and labour costs involved in manual air removal, it is claimed, as well as minimising discharge of costly refrigerant gases.

By continuous extraction of air independent of the refrigeration plant, the automatic purger prevents build-up of non-condensable gases even when

the main installation is not in operation.

The purger consists of a condensing unit which extracts a mixture of gases from a point close to the main plant condenser and cools them in a purpose-built heat exchanger so that the refrigerant condenses and returns to the system.

It is stated that in most cases only one connection to the plant and a 13 amp electrical point is necessary.

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هنا من العمل

FINANCIAL TIMES SURVEY

Friday September 12 1980

MICROELECTRONICS

New products and processes which once belonged to the fantasy world of science fiction are now made possible by microelectronic technology. But Europe may be falling seriously behind the U.S. and Japan in the race to secure supplies of a key technology which will have a major impact on the shape of industrial economies for decades to come.

Decade of the silicon chip

By Guy de Jonquieres

THOUGH STILL in their infancy, the 1980s are already on course to become the decade of the silicon chip. During the next few years microelectronics will develop rapidly from being a source of intense, if sometimes baffled, popular interest to emerge as a pervasive force with a direct impact on an ever-widening area of our daily lives.

The potential applications of microelectronic technology are almost limitless. From the washing machine to the factory floor to the most sophisticated missile system, it will permit functions that have previously been performed mechanically to be carried out more quickly, efficiently and reliably—and at lower cost. It can also make feasible new products and processes which previously belonged to the fantasy world of science fiction.

The ready availability of powerful but inexpensive

integrated circuits has, for example, already brought us chess-playing computers that can defeat all but the most expert human opponents. Soon we will be dealing every day with machines which respond to spoken commands and answer back in a passable imitation of the human voice.

Televisions which switch channels when asked to do so—emitting a clipped "Okay" when they have registered a command—will go on sale shortly. But their comprehension and vocabulary is very limited. Within the next decade machines capable of quite extensive conversations will be developed and used, for instance, in telephone answering services.

In many applications the presence of microelectronics is less obtrusive. Beneath the bonnet of every new General Motors car in the U.S. are at least two microprocessors controlling carburetion and exhaust emissions. Without these devices it is doubtful whether Detroit could meet U.S. fuel consumption standards laid down by Congress a few years ago.

Microelectronic components are replacing moving parts in telephone exchanges, routing calls more accurately and providing better quality connections. On production lines microprocessor-equipped control devices are making it possible to perform repetitive operations with greater accuracy and over longer periods than any human being could match.

In data processing the technological revolution is already well advanced. The replacement of valves and

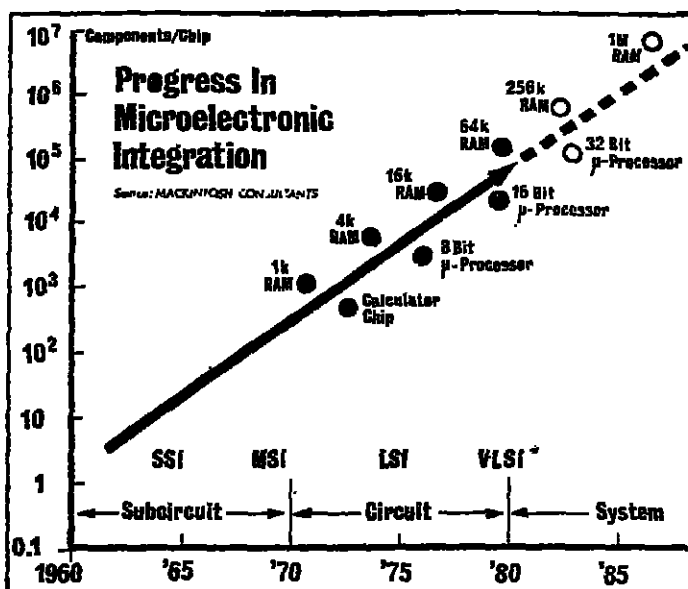
discrete transistors by integrated circuits has produced a dramatic drop in the cost of computer power over the past 15 years. Small desk-top machines can now perform operations which would have taxed the resources of a vast computer occupying an entire room in the early 1960s.

Miniaturisation

The integrated circuits which have made these applications possible are a marvel of precision engineering in miniature. The latest generation of memory chips pack the equivalent of more than 100,000 transistors on to a sliver of silicon smaller than a little fingernail. The channels linking the different elements on the chip are microscopically small—as narrow as three thousandths of a millimetre in some cases.

Miniaturisation is important for three reasons. The first is speed. Modern computers require components which operate in a fraction of a second. The shorter the distance which electrons have to travel around a chip, the faster they reach their destination. Data stored in a modern memory chip can be retrieved in as little as 120 billionths of a second.

Second, compactness allows integrated circuits to be used conveniently in applications for which valves, or even discrete transistors, would be far too cumbersome. This is particularly important for military uses. It has also made possible products like digital watches and pocket calculators. Finally, a reduction in size saves on the cost of raw materials, which must meet exacting standards.



The most advanced memory chips nearing production, 64-K Random Access Memories (RAMs), can store more than 65,000 binary digits (bits), each equivalent to a zero or a one. The data are packed 20 times more densely than on the first generation of RAMs developed 10 years ago, which held a mere 1,024 bits.

Still more advanced devices are in the pipeline. Earlier this year Japanese companies demonstrated prototype 256-K RAMs capable of storing four times more data than the 64-K on a chip only twice the size. One million bit RAMs are also

under development, though it will be some years before these can be produced in quantity. Equally dramatic advances have been made in microprocessors. These are the chips which do most of the work in a micro-computer, while memories store the operating instructions used in and the data generated during their computations. (Though the idea of a computer on a single chip has caught the popular imagination, an array of components is used in all but the simplest applications.)

One measure of a microprocessor's power is the number of bits it can handle at one time. The first microprocessors accepted 4-bit "words." Eight-bit devices followed, and the latest generation handles 16-bit instructions. Devices capable of 32-bit instructions—as powerful as the central processor of a big mainframe computer—are under development.

With each new advance in integrated circuits, the engineering and manufacturing challenges become tougher. The larger the scale of integration, i.e., the greater the miniaturisation, the more difficult it becomes to ensure that the circuitry is accurately etched on to silicon and that it is precisely reproduced in manufacture.

Chips containing very closely packed circuits are also subject to external influences like alpha particles, the product of low-level radiation. These can play havoc with the operation of an integrated circuit.

New types of machinery and new processes are being developed to meet these challenges. But they are costly. The seven largest U.S. semiconductor manufacturers have budgeted more than \$1bn for investment this year—roughly a fifth of their combined capital expenditure during the whole of the last decade. During the 1980s the U.S. industry expects to have to invest about \$50bn, not allowing for inflation.

The scale of this projected investment is all the more remarkable in an industry which has achieved drastic reductions in the price of its products over the past decade. The price of a successful new "standard" device rarely remains stable for much more than a couple of years, after which it plummets as more

and more suppliers crowd into the market. A manufacturer who arrives late on the scene stands little chance of making a profit.

One way in which semiconductor manufacturers can cushion themselves against this switch-back is to evolve from just selling bare components to supplying complete systems of chips mounted on a circuit board and partly programmed for a particular application. Two U.S. companies that have pioneered this approach are Texas Instruments (TI) and Intel.

Components

The system approach recognises that on its own a chip is not a very useful commodity. It must be teamed up with other components and the whole assemblage then programmed to carry out the required functions.

Many customers do not possess the necessary expertise and have to call in outside consultants; of those who do have the skills needed, needed, such as computer manufacturers, an increasing number are finding it difficult to recruit enough skilled programmers to meet their needs. The design of an applications system is also becoming more expensive. It is not uncommon for the "software" (programming) to cost five or even ten times more than the "hardware," the physical components.

Intel has suggested that more than 1m programmers will be needed over the next five years to meet the demand for microelectronic applications. It doubts they can be found. Even if they were available, the company

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thinks that many of them would be wasting their time "re-inventing the wheel"—rewriting the same basic software as well as designing the programmes required for a specific application.

Intel and TI propose to solve the problem by offering systems packages. These would be assembled from a range of different components and supplied complete with built-in basic software on to which the programming needed for an individual application could be grafted.

The cost and complexity of this undertaking are daunting. But if it can be carried out successfully it should provide a valuable short cut around one of the major human obstacles now constraining the practical implementation of microelectronic technology.

We'd like you to know that Britain already has a thriving microcircuit industry.....

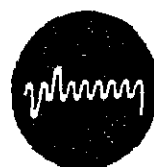
While the debate continues on Government investment to establish a viable British microcircuit industry, we'd like to tell everyone that we already have one.

Everyone, that is, except our customers in America, Europe and Japan. They already know about Plessey Semiconductors. That's why the Americans use our circuits in their military tactical radios and Japanese (yes, Japanese!) TV manufacturers depend on them in tuning systems. Last year nearly 70 percent of our output was exported and our turnover was nearly £20 million. Our success continues and we're showing real growth in 1980.

And when it comes to investing in Britain's future—including our own—by the inception of new techniques, intensive research and the development of ever more advanced products, we aren't slow off the mark either. We put a great deal of effort into making our products meet real market needs—we're already working with many of our international customers to establish new generations of microcircuits that will keep them ahead.

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MICROELECTRONICS III

Opportunities for UK industry

THERE ARE four main threads to the Department of Industry's Electronics Application Division.

● First, there is a management seminar to increase each manager's awareness of the applications and implications of microelectronics. In the last two years, 130,000 managers have attended the seminars. They are not free, but they are subsidised.

● Second, there are subsidised training courses, lasting three weeks, for designers, technicians and engineers to give them first steps in microelectronic applications. There are now 30,000 short course places available this year, compared with 2,000 in 1975. The DoI also provides support to organisations such as the Open University, BBC and the Science Museum in projects which will increase awareness of microelectronics.

● Third, the department will pay companies up to £2,000 for the cost of employing consultants to look at the possibility of using microelectronics for either improving their production processes or for inclusion in its products. About 30 companies a day apply for this assistance and 90 per cent are accepted.

● Fourth, a 25 per cent grant is offered towards the estimated cost of developing the application of microelectronics. The minimum development project that the department would consider is £10,000. Although there is no set limit, a £500,000 project would probably be too big. For details: contact the Electronics Applications Division, Department of Industry. Tel: 01-212 6986.

JASON CRISP

Vast range of applications

THE MICROELECTRONICS invasion of the home, car, factory and office is well underway. Yet it is only the beginning. The enormous breadth in the application of microelectronic devices—from guided missiles to hair-dryers—means we will all be using them in some way, in more and more activities.

Perhaps the most apparent use of microelectronics in the home has been in such items as the pocket calculator, the digital watch and a variety of fleishy electronic toys and games. Less obvious, but more important in the market terms, has been their application in television and hi-fi equipment, not just adding features such as remote control, but in drastically reducing the number of components needed in a set.

Similarly, many other consumer goods can be enhanced by the use of microelectronics. In Europe, the biggest demand for integrated circuits comes from the consumer goods industries, unlike in the U.S. where about 40 per cent of semiconductor are going into computers.

But the greatest growth areas are expected to be the car and telecommunications sectors, the latter already a substantial user of integrated circuits.

At present, micro-electronics manufacturers have just a toehold in the automotive industry, although it has been singled out as a major growth area. Today, only the most expensive cars have electronic ignition or electronically controlled car hi-fi systems. Yet, by 1985, the average car may have up to half a dozen microcomputers and over 50 integrated circuits spread around it.

It is not so long since you could not have fitted that sort of computing power into the back of a pantechician.

Legislation in the U.S. on both emission control and requirements for improved fuel consumption will push North American car manufacturers faster than European companies.

Just how dramatic this trend will become was illustrated by Mr. Frank Jaumot, Director of Advanced Engineering in General Motors' Delco Electronics division who recently said his company would need 56 per cent of the world market for SK PROMs and 40 per cent of the available supply of data conversion or analogue to digital devices in 1981.

Engine control

The application of microelectronics in a car is wide. Outside the entertainment system, the major use at present is in engine control, particularly electronic ignition, which replaces the centrifugal and vacuum controls. It is much more sensitive to changes in speed and load and, best of all, does not need retuning.

The use of microelectronics in engine control can be extended to air and fuel supplies and to the control of an automatic gear-box. Although marked efficiencies may be gained from the use of electronics to control the engine it is a hostile environment and the car manufacturers are concerned about reliability of the chips.

The entire dashboard is another area the chip-makers and car companies are looking to as a major application of electronics. A complete electronic dashboard could give more comprehensive and more accurate measurement of wide range of functions and warning lights.

There are a number of options on how the information would be presented, ranging from the liquid crystal display, used in calculators, to a television screen. Even more futuristic, some semi-conductor manufacturers are talking of "head up" displays which project the information on to the windscreen, as used in military aircraft.

Another major use which is seen as having enormous potential is a system which would dramatically reduce wiring in cars saving both weight and expensive copper. Instead of the present very complicated wiring harness, it will be replaced by a single wire with a small chip at each light or other electrical device which can be instructed to switch

itself on or off by a coded message from a microcomputer. Electronic anti-lock braking systems are already available. Electronic direction and traffic information systems are being tested in Germany. Better anti-theft devices, better temperature control, automatic fault diagnosis, and keyless ignition are all being developed.

All use a number of integrated circuits and with a world car market of around 30m a year it is little wonder that the semiconductor manufacturers see it as a very significant and fast growing market.

Another major area of growth is in telecommunications, which is both moving quickly into microelectronics and is itself expanding very rapidly around the world, especially in Europe and in Third World countries.

More than 16 per cent of integrated circuits are going into the European communications industry and this is likely to increase as countries rapidly introduce modern digital exchanges and as the volume of data and information networks increase.

Growth area

In contrast, the white goods sector—washing machines, tumble driers, dishwashers, fridges—and small domestic appliances, such as hair-dryers and electric drills, which have not seen much application of microelectronics is described as a strong growth area by a number of semiconductor manufacturers.

Washing machines, as an example, increasingly use electronic controls on the motor to give much more variation of control on spin speeds. Higher spin speeds has been used as a major selling point by the manufacturers, but it brings with it the problem of balancing the load so the machine does not start to shake violently. Electronic control can increase the speed much more gradually to produce an even distribution of the load.

And manufacturers are beginning to introduce machines with electronic programme controls giving the owner far more choice over washing programmes, spin speeds, and temperature. The added features are likely to become major selling points, although whether buyers actually ever use the variety offered by electronic control is another matter.

The number of applications of micro-electronics in the consumer electrical goods market is enormous. Hair-dryers, electric irons, room temperature thermostats, food mixers, boiler controls, burglar detection equipment, lighting controls, dishwashers, slide projectors are (or will be) available with the added benefits of that ubiquitous chip.

Another major application of chips is in industry. Process control, temperature control and monitoring, metallurgical analysis, stress analysis, batching and testing, robots, automated equipment, materials handling, data processing... the list is almost endless.

Similarly, in the office the microchip is to be found in electronic typewriters, photocopyers, facsimile transmitters, switchboards and wordprocessors.

There is no escaping them. But British industry is not grabbing as many opportunities as it might, but the situation is improving, according to Mr. John Major, who heads the Department of Industry Microprocessor Application Project (MAP). About half of British industry is simply unaware of microelectronics. When MAP started in July, 1978, about 5 per cent of companies were aware of microelectronics and doing something about it which has now risen to 17 per cent with a further 33 per cent beginning to gird their loins, says Mr. Major.

Jason Crisp

Japanese production surges ahead

NOWHERE HAS the "microchip revolution" been as dramatic as in Japan. Large-scale production of ICs did not begin in Japan until 1968—about 10 years behind the U.S.—when Texas Instruments established a joint venture in the Japanese market with Sony Corporation. TI has since bought out the Sony share, but the Japanese industry, as a whole, has emerged as the second most powerful in the world.

Over the past decade, Japanese production of ICs has risen at a rate of about 25 per cent per annum, from only ¥72bn in 1972 to nearly ¥300bn by 1978. One private study shows that sales over the next five years will continue to advance at an annual rate of about 9.6 per cent.

Capital investment by the nine companies which dominate the Japanese industry (excluding Sony which produces for internal use) in the field of ICs will increase about 20 per cent to ¥135.3bn, despite some downturn in demand in the U.S. market.

The Japanese industry, with some help from the Government, has, in fact, invested in research and development in ICs at a rate of about 15-20 per cent of sales. Capital expenditures in 1978, for example, represented about 18.2 per cent of sales (compared with 13.5 per cent in the U.S.).

The success of the effort is clear. Nippon Electric (NEC) is rivalled as the leading supplier of semiconductors in the world only by TI and Motorola. Hitachi, Toshiba, Matsushita Electronics, Mitsubishi Electric, Tokyo Sanyo Electric, Fujitsu, Sony, Sharp and Oki Electric are all leading lights in the business.

The Japanese were well positioned to take advantage of the chronic shortages of semiconductors worldwide, which developed in the 1970s and are expected to continue for several years.

Late entry

An analysis of the Japanese industry by Nomura Research points to three factors behind Japan's late entry into the IC business. First, the country lacked strong demand from the government and the military. The computer market for ICs in Japan did not develop until IBM's patents expired in 1960. And lastly, the major Japanese electronics companies were busy establishing themselves in fast-growing home and worldwide markets for consumer durables, which kept them in the stage of mass production for transistors throughout the 1960s.

The boom came late in the 1960s when Japan turned to mass production of products like electronic calculators. In 1969, calculators accounted for

more than half of all the ICs used while computers took less than 30 per cent. The large home (and export) market for colour TVs, audio-video equipment, watches, copiers and other electronic products assured strong demand. Computers even now only account for about 15 per cent of IC demand compared with 30 per cent in the U.S. and Europe.

The Japanese had to overcome such barriers as the domination of foreign patents in the IC field which, before the Japanese began developing technology on their own, meant that a sizeable chunk of sales went to basic licensing fees.

Their success is due in large part to the structure of the companies which became involved in production, the biggest of which are large size, diversified manufacturers capable of drawing on vast internal resources for specialised projects. The range of their products gave way to rapid expansion of the uses to which ICs were put.

Finally, the Government correctly viewed the importance of ICs and the dangers of allowing gaps between U.S. and Japanese technology to continue. The Ministry of International Trade and Industry (MITI) created a project to develop VLSI technology through co-operation with the five leading IC producers (Nippon Electric, Hitachi,

Toshiba, Fujitsu and Mitsubishi Electric). The Government subsidised the project with ¥30bn between 1976 and 1980 (the total cost was ¥72bn).

Perhaps the most important developments came in projects spearheaded by the telephone monopoly, Nippon Telegraph and Telephone (NTT), in concert with Nippon Electric, Hitachi and Fujitsu.

With a budget of ¥20bn, they succeeded from 1975 to 1977 in developing a 64 bit RAM, which is beginning to find widespread applications. NTT's research has led the way to creation, on a laboratory level, of 128 k-bit chips and the A 256 k-bit chip. The latter, though still in the development stage, served to focus world attention earlier this year at an international conference on the advances that Japan has been making.

The latest NTT joint project is concentrating ¥20bn on reducing the width of the tiny lines which connect chips to one micron from the two micron links which are now used with 64 bit chips.

The Japanese strategy is to maintain its position in the most advanced areas of chip production. This is illustrated by the success Japanese makers have had in the huge U.S. market for 8-bit and 16-bit MOS memory and 16-bit microprocessors. While the Japanese market

share in the U.S. for all ICs is around 3 to 4 per cent, they hold about 25 per cent of the market for 16K MOS memories.

The inroads made by Japanese companies, however, have already prompted negative reactions from the U.S. industry, which is increasingly looking to the Government for help. Ironically, the U.S. companies have long held larger shares of the Japanese IC market than the Japanese have in the U.S. TI, the world's largest producer, has built three plants in Japan, and others, including Intel, Motorola, Advanced Micro Devices, Mostek and Fairchild, are beginning to follow suit.)

Caution

The Japanese are very well aware of the dangers of prompting a reaction similar to those which brought on U.S. import restrictions on colour TVs. The largest producers have already acquired production plants in the U.S. and Europe. This is partly because there is little difference in labour and equipment costs, but mostly to avoid trade frictions.

There is little reason to doubt that the Japanese will continue to become even more competitive in the 1980s. Advantages over other international producers are significant, the Japanese companies tend to be much larger enterprises than the companies in the U.S. and Europe.

In overall sales, the big Japanese companies are two to four times larger than TI and Motorola. They are also much more diversified. IC sales at NEC account for only 20 per cent of the total, compared with over 30 per cent for TI and Motorola. Other Japanese companies IC sales are much lower percentages of total sales.

The Japanese can tap other sources of revenues for the costly business of developing and producing ICs. They also have a certain amount of built-in internal demand. The other big plus factors for the Japanese include the quality of its labour force, a fact which has not been lost on the foreign companies which have plants in Japan. The Japanese, along with other international companies, have diversified production bases into low wage countries, but they have also concentrated on cutting labour costs through automation which improves yields and reliability.

Finally, and perhaps most important from a sales point of view, the world has come to rely on Japan for quality of the product itself, a factor which should help make steady customers out of foreign companies which have turned to Japan as a source of semiconductors, even if the present worldwide shortage of chips ends.

Richard Hanson

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MICROELECTRONICS IV

Important changes in technology

EVERY YEAR sees a doubling of the number of elements which can be made on a silicon chip—a rule that has stood the test for the past 15 years. As a result, integrated circuits have fallen dramatically in price—a chip which cost about £20 in the mid-1960s costs only a few pence today.

As well as cramming more on to a silicon chip, designers have managed to increase the speed at which calculations are carried out—an important factor in a wide range of computer and industrial fields.

To the layman one silicon chip looks very much like any other, even though they carry out completely different functions as part of a computer, a radio, a television set, as part of the automatic control of a washing machine or machine tool, or even in monitoring pollution emitted by a car's exhaust.

Every chip is built up like the layers of a thin jam sponge cake, using a highly sophisticated photographic process. Parts of the silicon are etched away with acids while other

areas of the chip have impurities added to give the circuit the required electrical characteristics.

While the method of manufacture is basic to all silicon chips, there are several different technologies which determine the speed, size and power consumption of each circuit.

The two most common forms of transistor technologies, from which most others are derived, are called bipolar and metal oxide semiconductor (MOS) for short. The difference lies in the basic elements from which the circuits are fabricated.

The basic element for bipolar is, naturally enough, the bipolar transistor. This was the first type of transistor capable of being made as part of an integrated circuit and for several years all silicon chips were made from bipolar transistors.

In the late 1960s, however, the field effect transistor was developed, with several advantages over bipolar ones. It was smaller—so that circuits could contain more transistors for the same area and consume far less

power. Its disadvantage was that it operated at slightly slower speeds than its bipolar equivalent.

In general, field effect transistors which are made with the MOS process require fewer manufacturing steps, so that they can be made more cheaply.

During the 1970s rivalry between the two types of technology caused many designs to emerge so as to overcome disadvantages and to allow the two technologies to be used for as wide a number of uses as possible.

For example, bipolar designers came up with low power Schottky—which aimed to reduce power consumption and extend the life of battery-powered equipment and products. Another bipolar development was called 12T, which allowed higher packing densities of transistors to compete with MOS.

In general bipolar technology is considered superior for applications where analogue integrated circuits are required—for example, as converters between the digital world of computers

and industrial machines which rely on varying electric currents, and for amplifiers.

MOS technology, on the other hand, is used for products such as calculators and digital watches where low cost, small size and low power consumption are the requirements. It is also used for storing large amounts of information which is needed in all computer systems. MOS is now more widely used than bipolar.

Widely used

Computer designers once used magnetic memory, called core memory, made up of thousands of individual tiny magnets which stored information in binary form. Today much of that mass memory is semiconductor-based, using MOS.

For mass memory, designers took a careful look at the basic element, decided they could make it even simpler and produced the charged coupled device (CCD).

Unfortunately this technology has not fulfilled its early promise of dramatically increasing circuit densities because it

was ousted by a more promising technology. CCDs are, however, have many useful applications in low light electronic cameras and light sensing.

CCDs are a pattern of conductors on the surface of the chip which propels an electric charge—representing the binary 1 and 0—through the material until it reaches its proper location, where it is stored. The CCD operates like an array of capacitors which can pass an electric charge from one to another, a memory CCDs can store information for up to a year even when the power is switched off.

After a promising start, CCDs were eventually overtaken by a more exciting and promising technology which was not based on either MOS or bipolar elements.

This technology, which has superseded CCDs for computer applications, is called bubble memory. It has been developed by companies like Texas Instruments and Rockwell International. Compared with the 64,000 bits of information stored on MOS chips, bubble memories capable of holding 1m bits have already been designed. This type of large memory is intended to rival the conventional mass storage systems such as magnetic drum, disk and tape.

They are made from a special group of synthetic garnets which are magnetic. A very thin layer of garnet lying on a supporting

layer called a substrate is divided into microscopic small areas called domains which act as tiny magnets.

In normal circumstances the domains have very irregular shapes but when a strong magnetic field is brought near them they shrink into near-cylindrical shapes which are called bubbles.

Usually the field is supplied by a permanent magnet. In operation the chip is split up into a number of geographical areas. At each particular location the presence or absence of a bubble indicates a 1 or 0 of the binary arithmetic used for all computer calculations.

In any memory storage system it must be possible to generate the 1s and 0s according to the computer's needs, as well as allowing the computer to read information from it.

Manufacturers say that by the end of the 1990s the capacity of a standard bubble memory could contain up to 256m bits of information. In addition, because bubble memories sort information magnetically, when the power is switched off the contents of the memory are not destroyed as is the case with some other semiconductor memories.

Bubble memories are still more expensive than MOS, but with the growing interest in the computer industry, prices are likely to fall significantly.

Elaine Williams

Unions hold cautious view

THE APPLICATION of micro-electronic technology to the means of production is an enormous step forward in the 200-year-old process under which capital has been substituted for labour.

The net effect of such a step is now, as it has always been, to increase productivity. This trend, coupled with the use of microelectronic devices inside commodities and equipment (where they replace, typically, electro-mechanical parts) means that, for certain products, prices are falling, while larger volumes of goods are being produced more readily.

Thus, in those sectors where goods are both produced with the aid of microelectronic technology and incorporate that technology—a growing number—the market is widening. Data processing is the classic example. Processing costs are falling in real terms year-on-year, as the direct labour incorporated in their production falls and their use of more and more densely integrated

components rises.

Ending the narrative there, the conclusion is obvious: the use of microelectronic technology in production is an economic gain, perhaps the major counter-inflationary force presently available to industrial nations. However, it cannot be left there: at the root of matter is the unanswered question: can the widening of the market proceed rapidly and far enough to create further demands for the labour displaced by automated production?

Furthermore, what kind of jobs will disappear, and what kind will be created? And how can societies manage the transition between them?

It is clear that:

- Those countries and companies which embrace the new technology most rapidly and completely will tend to reap the largest rewards.

- Even those countries which do innovate rapidly will not escape a painful transitional process.

- Those which do so slowly, usually because of pressures from their industrial labour forces, will compound their economic problems.

- Those with a large traditional industrial base which attempt to innovate rapidly are likely to cause widespread social disruption.

The constraints on countries are, therefore, tight: the best possible route to be hoped for is one which manages the creation of a high technology sector, large and profitable enough to generate a surplus to subsidise the gentle phasing down and modernising of the traditional industrial sector, while simultaneously retraining and relocating the workers from the latter in the former. Needless to say, the model is rarely achieved.

Japan has apparently been the most successful in approximating this aim, since it has been aided greatly by lacking much of the pre-war industrial structure and by a labour force which, since the fifties, has co-operated relatively enthusiastically in technical change and in productivity measures.

Flexibility

The U.S., too, though in a quite different fashion, has shown itself capable of rapid adaptation to microelectronics. It has done so to the benefit of many of its industries largely because it was the first country to develop "chip" technology—mainly for military and space programmes—and was also inventive enough to adapt military applications to commercial ones. The U.S. also had by far the strongest computer industry in the world (IBM controls between 50 and 60 per cent of the world market).

In both countries, there has been little debate over the impact of that technology on the employment market: it has either been substantially ignored (as in the U.S.), or swept away under the centrally recognised imperative of modernisation (as in Japan). In Western Europe, the technology, which has been slower in coming, has also enjoyed a markedly different reception. Governments welcomed it, exhorting its citizens to be aware of it (especially if they were manufacturers) and usually providing subsidies to those who wished to introduce it.

Many companies, especially in Britain and Italy, have shown themselves slow to take this advice, especially in times of recession. Even large, advanced electronics companies continued to buy in technology rather than to develop it themselves—a strategy of dependence in an age where commercial success increasingly depends on innovation and exploitation of the innovation. It is the reaction of the European labour force, however, which most concerns us. It has been cautious: no major union has taken up a position of over-hostility to the new technology, but most have stressed the malign, job-destroying tendencies which they see as inherent in it, and have called for its introduction to be carefully planned and regulated to avoid the worst of these contingencies.

A report by the Brussels-based European Trade Union Institute, pointed out last October that "there is no automatic mechanism in freely operating market economies by which technological innovation will itself create sufficient extra demand to re-employ the workers displaced."

The report also noted a switch of employment to component manufacturers in the U.S. and Japan, a large threat to clerical employment as automated office systems come into general use in the later 1980s and because of this, a disproportionately high impact on women's jobs.

The nub of the issue, according to the Institute, is that "the impact of microelectronics on manufacturing and tertiary

sector employment in Western Europe is taking place at a time of already severe conjunctural problems, of both structural and demand deficient unemployment, which are likely to persist on unchanged policies into the 1980s."

Because of these "severe conjunctural problems," European unions are already on the defensive. They are thus unlikely, in practice, to make distinctions between technological unemployment and the more ordinary kind, and are inclined to attempt to stop the causes of both.

New technology, then, has often met resistance, fanned more by fears which pre-dated its introduction than are owing to its effects. For all that, there has been attempts by organised labour in Europe to co-operate actively with automated processes, even where the unions run the risk of alienating their members by doing so. In Britain, for example, the TUC is labouring hard to produce a "technology agreement" with the employers' organisation, the CBI, an agreement which would provide an umbrella, or set of guidelines, for localised deals.

Labour has taken the lesson, spelled out elsewhere in the Institute's report, that "there is no possibility that Western Europe will remain generally immune from the application of microelectronic technology" during the 1980s. The problem it faces, however, is that it will have to bear the major brunt of that lack of immunity, without being able to control it.

John Lloyd

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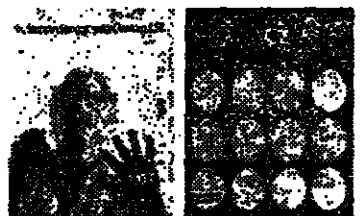
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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

A foreign tonic for an ailing U.S. grocer

The former head of Cavenham's American foods group is trying to revive the fortunes of a rival German-owned supermarkets company. Ian Hargreaves reports

"THE THING this company had missing when I arrived was an adequate management system." Whatever one may think of management consultants, this is a pretty odd remark to make of a company which was overhauled by Booz Allen and Hamilton in 1977, and McKinsey in 1979.

The speaker is James Wood, a Briton who four months ago surprised Sir James Goldsmith by abandoning his successful regime as head of the Cavenham Group's U.S. supermarkets group, Grand Union, to become chairman of one of the longest-stay patients in the casualty ward of U.S. business, the Great Atlantic and Pacific Tea Company.

A and P, as it is known, is an American institution, as its full name implies. In British terms it is a bit like Sainsbury's but less successful, suggests Wood.

Less successful indeed. In the last two years it has lost over \$55m on annual sales. Not only this but the 1979 figure of \$6.7bn was 25 per cent lower in absolute terms than at the start of the last inflationary decade.

But no one can claim that A and P's debilitation was caused by the absence of medication. Wood's predecessor, Jonathan Scott, spent five years commissioning reports and putting them vigorously into action. The company in that period launched five closure programmes, designed to cut away the sicker areas from its operations by shifting its centre of gravity from the decaying city centres of the urban Mid-West and North-East to the go-go areas of the suburbs and the South.

Nor, on paper, could Scott be considered the wrong man. He got the job because of his record in tripling sales within a decade as president of Albertson, an Idaho-based food chain. He was selected without the aid of Booz Allen, as precisely the sharp young professional needed to kick Auntie A and P into the second half of the twentieth century.

Scott left in April, having failed to agree a renewed contract with the new masters of A and P, the German retailing group Tengelmann. He left

the shareholders with 500 fewer stores, with a completely reshaped management structure, lots of new faces, but an earnings record more dismal than the day he arrived.

"I have to say that the five-year closure programme was probably the wrong way to go," says Wood, speaking from the company's park-like Montvale, New Jersey, headquarters which A and P have occupied since it left central New York in the early 1970s.

"You should never close stores just because of poor management and unprofitability," he says. "The only thing that matters is location. If the location is right, you can get the rest right." He points ruefully to the case of a former A and P store in Scranton, Pennsylvania, which Scott sold to Shoprite and which today is doing three times the business it did under A and P, and stealing trade from two other A and P stores in the area.



There will, he pledges, be no closures under his chairmanship until A and P has a total plan—which will take another six months—and until he has tried to blot up some of the red ink by getting labour, marketing, the stores' frequently tatty physical condition and, yes, the management system right.

Although he talks about management systems, Wood does not come across as a great theorist. He started in the grocery business at the age of 14 in a Co-op corner shop in his native Newcastle-upon-Tyne. Faced with a question about say computers, he is apt to reply: "Oh, I never read computer print outs"; then equally quickly retract to say well, yes, of course, he does read them, when it's necessary, but it's a question of how you go about it.

It is also a question of how you go about closures, management reorganisation, capital spending, labour bargaining, training and all the other things. Scott and his management consultants did these things; they just did not do them effectively.

"I use management con-

A AND P COMPARED WITH A COMPETITOR OF SIMILAR SIZE*				
	Sales \$m	Net profit \$m	Capital spending \$m	Number of stores
1975				
A and P	6,500	0.03	65	2,074
Kroger	5,400	34	70	1,791
1979				
A and P	6,700	3.8	70	1,542
Kroger	9,000	105	176	1,734

* Kroger is the second largest supermarket and drugstore chain in the U.S.

consultants," Wood says, "but I think a lot of companies call them in and ask to be told how to run the business. I think that's wrong. You have to draw a tight circle around management consultants; give them a specific job."

So, what is Wood's management system? In outline, it does not sound theoretically far removed from some of Scott's concepts.

He has increased the number of divisions in the company, increased the management tier above store level from 19 to 27, reducing the number of stores for which any individual is responsible, and paring back that responsibility only to those directly concerning the regional operations of the divisional manager's stores. Above the divisions are nine group managers, responsible for broader functions, such as buying, and so on up to head office level.

The numbers and the theory make sense, as would other numbers and other theories, but one suspects the prime mover in Wood's thinking was the far more personal task of matching the right men to the right jobs, i.e. 27 divisions because there are 27 suitable candidates for divisional manager, or something along those lines.

Beneath the board, a series of sub-boards meets regularly to examine certain policy areas. The reports of these meetings form part of the management information which is transmitted by Wood to Tengelmann.

The Tengelmann connection is itself a matter of some fascination. Erivan Karl Haub, chairman of West Germany's largest supermarket firm (but less than half the size of A and P) led his family controlled business into what is bound to be a long march at A and P early in 1979 when he heard that the Hartford Foundation,

a U.S. philanthropic trust, and then owner of 25 per cent of A and P, was interested in selling its lacklustre holdings.

Haub spent a year building Tengelmann's stake—it is now just under 50 per cent—and in the process inspired a growth of confidence about A and P on Wall Street which was recently well reflected in a hugely over-subscribed rights issue made by the company. Having examined Scott's record and performance in detail he also shopped around and came back with Wood, who extracted from Tengelmann a contract juicy even by the standards of corporate America. Tengelmann paid him \$300,000 on transfer, \$400,000 a year salary, annual bonuses of between \$0.9m and \$1.2m and what is described as a phantom stock issue which could eventually give Wood almost 5 per cent of the company.

Wood confesses that he was worried, not just about joining a long time loser in A and P, but in working for a fellow grocer. Jimmy Goldsmith was an exacting taskmaster, "but he left you to get on with it. Erivan Haub is a major retailer and I did not want someone continually looking over my shoulder," he explains.

Little over three months into the relationship, Wood says his fears have vanished. The Germans—Haub has brought others on to the board—turn up promptly for board meetings every other month and pay close attention to Wood's written reports. But they do not often talk on the telephone. So far Wood has not even been to visit Tengelmann—in fact his only visit to West Germany was to the Munich Olympics.

Along with some industry watchers Wood was also worried that Tengelmann wanted to thrust upon A and P a Germanic



James Wood, A & P's chairman and chief executive—using the carrot and stick technique to get results.

view of American retailing. The most notable through the introduction into the U.S. through A and P of Tengelmann's "Plus" store concept—a small no frills shop where large (in the U.S. over 30 per cent) price cuts are offered on a large proportion of a limited range of goods. "I made it clear that they might have to accept the blackballing of Plus before I agreed to take the job," he says candidly. But he has been "favourably impressed" with the Plus shops so far, and is planning to open 90 more this year—there are about 20 already. Double digit inflation in the U.S., he believes, made Plus an idea whose time has come.

He says the Germans have also helped to instil a sense of discipline into A and P, a feeling of confidence about its longer range future, and more backing for his own first principle that management should never act without detailed plans and forecasts of the effects of a decision. In addition, he quips, "the meetings really do start at 8.00."

Whether this amalgam of German vision and discipline with Goedicke charm and rough handed persistence provide the right recipe for rescuing dear old A and P only time will tell. The company's problems are, as Scott and his consultants

found, easy to oversimplify. The U.S. food selling business is mature, intensely competitive, undergoing rapid technological change (with the introduction of automatic price scanning at checkouts, for example). More than any other business, it is susceptible to demographic switches and therefore to shop location. Within the past two years, one large chain, Food Fair of Philadelphia, has gone bankrupt.

Food retailing is one of those industries where top management has not only to get right the fundamentals of marketing, labour and financial control, but where that touch of magic is also needed to make sure the refrigerators are not cluttered with ageing cabbages as well.

On the fundamentals, Wood has already addressed what he argues is A and P's basic problem—excessive labour costs. He recently struck a deal with employees and their unions in A and P's key North Eastern region. This involves staff abandoning a practice which has made A and P's labour costs two or three percentage points higher than even completely unionised competitors. (About half of A and P's staff are union members, which is considered high compared with the rest of U.S. retailing.) A job security clause had enabled senior A and P

staff to claim the right to move to a neighbouring store if their own shop was closed. With the vast number of closures A and P has gone through in the last five years, a lot of former store managers, on high salaries and with five weeks holiday a year, appeared on checkout counters.

This deal, says Wood, has taken A and P off the "high risk" list. It was achieved, he believes, with a generous payoff for voluntary redundancy and more than a little help from his reputation at Grand Union, where unions accepted a raw deal on warehouse jobs on the pledge, later fulfilled, that the company would expand and produce additional jobs further down the road. In six years at Grand Union Wood doubled sales to \$3bn and added 300 stores.

His goal at A and P, he says, is to drive the company to a point within five years where it matches industry averages for return on sales. The industry's average net income as a percentage of sales is running at a tight 0.53 per cent. To match this target A and P's sales would have to grow at 15 per cent a year, Wood calculates.



If he meets these goals, there will be oobs and abhs all around the industry. When Wood's strategy is complete, it will no doubt involve further developing the Plus side, building some more big stores in the Sunbelt, improving productivity in the company's food processing division, and working and working at the Atlantic seaboard states where A and P's future will be won or lost.

Wood does not expect profits this year or next, but already, he says, in the middle of a recession and with price cutting in the industry as rampant as ever, A and P has started to show some modest advances in sales.

Says the Briton who, when interviewed, was clad in an American golfing check jacket and a slightly frayed shirt: "Kick a few arses and pat a few heads and you get some reaction."

Business courses

Preparation and Planning for Wood Processing, London, October 21. Fee: £80 (plus VAT). Details from Management Studies Centre, IGFC Consultants, 5 Victoria Street, Windsor, Berkshire SL4 1EZ.

Maintenance, Planning and Control Systems, Brussels, October 20-22. Details from Management Centres Europe, avenue des Arts 4, B-1040 Brussels, Belgium.

Solving Problems by Simulation, London, October 28. Fee: £20 (plus VAT). Details from the P.E. Consulting Group, Park House, Egham, Surrey TW20 0RW.

Trade Unions in the 80s—Challenge and Response, Henley, October 19-24. Details from The Administrative Staff College, Greenlands, Henley-on-Thames, Oxfordshire RG8 3AU.

Manpower Planning, Cranfield, October 26-31. Details from Cranfield School of Management, Cranfield, Bedford MK43 0AL.

Companies Act, 1980, London, October 31. Details from The Registrar, Charterhouse Management Courses, 23/24 Old Bailey, London EC4M 7PG.

Introducing Corporate Planning, Bradford, October 20-21. Fee: £150. Details from the University of Bradford Management Centre, Heston Mount, Keighley Road, Bradford, West Yorkshire BD9 4JU.

Upper Management and Quality, London, November 7. Fee: £115 (plus VAT). Details from the Institute of Quality Assurance, 54 Princes Gate, Exhibition Road, London SW7 2PG.

U.S. Government Contracts, London, October 27-31. Fee: £457 (including VAT). Details from seminar division, Crown Eagle Communications, Two Bloomsbury Place, London WC1A 3QA.

Managing International Change, Amsterdam, November 10-12. Fee: £275 (plus VAT). Details from Association of Teachers of Management, Polytechnic of Central London, 35 Marylebone Road, London NW1 5LS.

Marketing Management, Slough, October 20-November 7. Details from Urywick Management Centre, Baylis House, Stoke Poges Lane, Slough, Berkshire, SL1 3PF.

Selective Investigation of Accounts—Inland Revenue Procedure and Accountants' Duties, London, November 17. Details from conference organiser, European Study Conferences, Kirby House, 31 High Street East, Uppingham, Rutland LE15 9PY.



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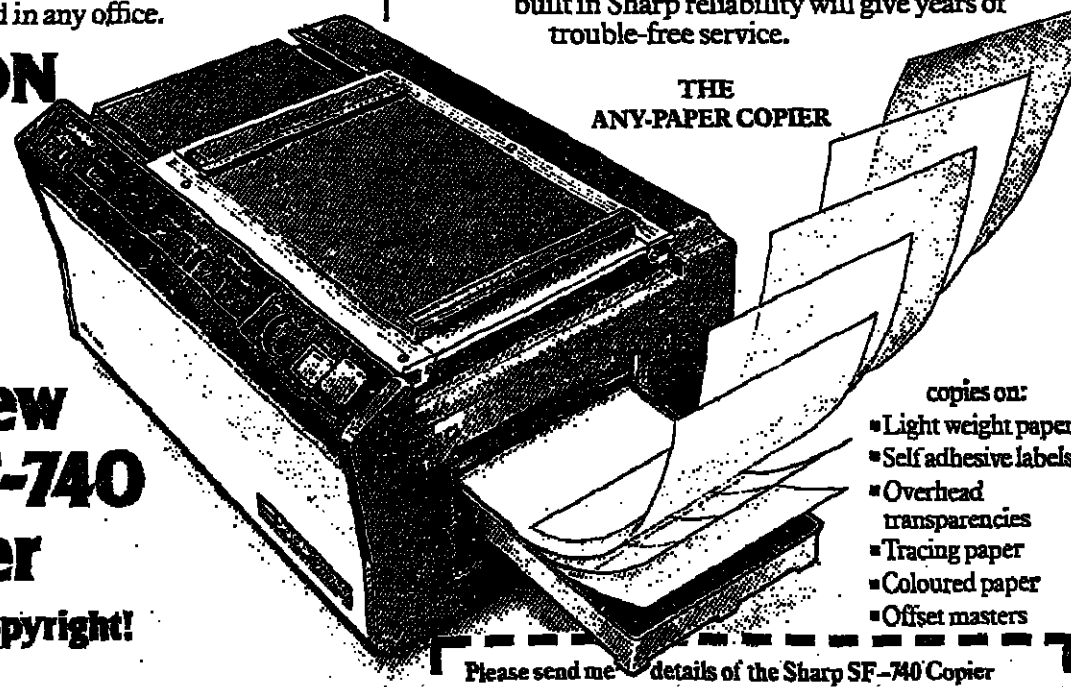
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16
LOMBARD

'Realism' may be only skin-deep

BY ANATOLE KALETSKY

TO THE politically untutored mind it may appear that a reduction in wage inflation to about 12 or 13 per cent by next year (which seems to be about what the Government's supporters hope for) would be nothing to boast about after two years of "unparalleled austerity" and record unemployment—after all, wage inflation was only 13.5 per cent when Mrs. Thatcher was elected. Will a reduction of half a percentage point in the rate of wage inflation really be enough to justify the losses of output that Britain will have suffered by the mid-point of Mrs. Thatcher's five year term in office?

Ill-fated

The faithful Conservative's reply to such criticism is, of course, that 13 per cent inflation under Thatcher and an inflation which seems to be running at the same rate under Callaghan are very different animals. Indeed, even a much lower inflation rate under the Labour Government was regarded as unacceptably high. It was in an all-out attempt to squeeze inflation down from 7.6 per cent in mid-1978 to 5 per cent or less that Mr. Callaghan imposed his ill-fated 5 per cent wage norm and, in retrospect, signed his own government's death warrant.

Now, the broadly monetarist London Business School economic model, which forecasts inflation still running at 7.5 per cent in 1983, suggests that such a limited victory over inflation is all that Mrs. Thatcher can reasonably hope for in the near future. Yet the achievement of this level in time for the 1984 General Election will probably be hailed as a conclusive and triumphant vindication of monetarist economics and Thatcherite policies.

Before the reader concludes that this is simply a diatribe against the double standards of economic pundits, I should admit that an economic justification can be found for the double standards. For it is now widely believed that Mr. Callaghan's apparent achievements in combating inflation were little more than a conjuring trick. Inflation was never reduced to 7 or 8 per cent really; it was just concealed and bottled up

by some skillful juggling with prices and incomes policies, only to be unleashed again, like an evil genie, in the inflationary explosion which was already beginning before Mrs. Thatcher took over.

Mrs. Thatcher, on the other hand, is above any kind of trickery in her anti-inflation performance—she is embarked on a crusade, not a conjuring performance. If she succeeds it will be because the root cause of inflation has been attacked by control of the money supply and by the inoculation of a new sixth sense, called "economic realism," into the minds of the nation's workers.

How plausible are these claims? The first one, about the links between monetary growth and inflation, has been discussed as endlessly (and perhaps as productively) as the question about the chicken and the egg. And the present chaos in monetary policy, it is perhaps most charitable to the Government to say that only time will tell whether monetary growth is the root cause of inflation or vice versa. But it is the second point which lies at the heart of the Government's strategy. It is surely obvious that mere incompetence among successive generations of Treasury officials in charge of monetary policy is not the only cause of inflation. Inflation also stems from a conflict between different groups of workers (and to a much lesser extent between workers and employers) over the distribution of the national product.

Discipline

The question that should now be starting to worry some industrialists who look further ahead than the next wage round is whether the "realism" which now seems to be blossoming among their workers is only skin deep. Will wage restraint continue when companies are no longer in peril? Is it really certain that the realism created by unemployment and recession will be any more enduring than the temporary discipline imposed by an incomes policy from above? Or is there a deeper kind of economic realism through co-operation that industrialists and the Government should now be trying to instill?

ON WEDNESDAY the first sod was cut in the turf for a new distribution centre and warehouse in Corby for the Oxford University Press, which will fulfil operational, will bring about 180 new jobs to the town.

OUP's move from Neasden, in London, is especially welcome following the battering Corby has taken since British Steel announced last Christmas that it was ending production of steel in the town. At that time the Corporation accounted for around 11,000 of the town's 23,400 workforce, although at the peak of its operations in 1975 BSC had employed 14,000 people.

Ending steelmaking meant a loss of 5,000 jobs in Corby—nearly all of whom have gone. The on-site staff now total 6,000.

Misfortune seldom comes alone and Corby has also been hit by other closures. By chance it has a number of employers who produce goods that face structural problems—notably textiles and shoes—and of the 800 jobs lost outside steel, many have been in these areas. The result is that unemployment, which had been around 7 per cent early last year, shot up to 16.7 per cent compared with a national figure of 8.1 per cent. Among men, the figure

is 18.9 per cent against a national 9.2 per cent. The level of unemployment has still to reach its ceiling. Men made redundant in June and July with good redundancy payments have still to register as unemployed and when they eventually do the figure will go above 20 per cent.

Despite every reason for gloom there is an unexpected air of hope about Corby, generated by the success the town has had in persuading not only OUP but also other firms to set up within its boundaries.

By the end of this year it is expected that 1,000 new jobs will be created by firms which have announced plans to go to the town.

A thousand jobs may not be large in relation to what is needed but they go some way towards combating the worst



AROUND BRITAIN
CORBY

problem town faces—reassuring the redundant that there is the hope. If an unemployed family believes there is no hope of future employment they will leave, and any exodus will hardly reassure potential employers there is a future for the town.

Corby was greatly helped by the granting of development area status in the middle of last December. Because of the regional grants these brought, it is now the nearest development area to London, there has been an enormous upsurge of interest in the town.

Some 47 firm inquiries have been made for Government assistance, a figure described by one Government official as "incredible." If these 47 are all translated into company openings they will create 2,700 jobs. In the North Midlands intermediate area, by comparison, only six inquiries have been made this year.

Granting development area status has allowed Corby firms to tap EEC finance. Five applications to the European Coal and Steel Community, described as "fairly substantial," have already gone through and others are being processed.

Having to cope with the steel

shutdown was not made any easier by the ending of Corby's role as a development corporation on April 1 and the transfer of its industrial assets to the New Towns Commission (its housing role went to the local district council). But a lot of good has, paradoxically, come out of this step because it allowed the formation of a joint industrial committee to be set up with backing from Northamptonshire County Council, Corby District Council, the Commission and BSC Industry, the offshoot set up by the Corporation to help create jobs in major steel closure areas.

The committee appointed a new young director of industry, Fred McEneaney, from Peterlee, and there is a noticeable air of urgency about the efforts of everyone involved to prove that "Corby Works" to use the town's promotional theme.

The committee's first project was to draw up a strategy. This has been sent to ministers and outlines how, at a cost of about £5m, advance factories and industrial estates could be created, roads improved and work on retraining and the environment undertaken.

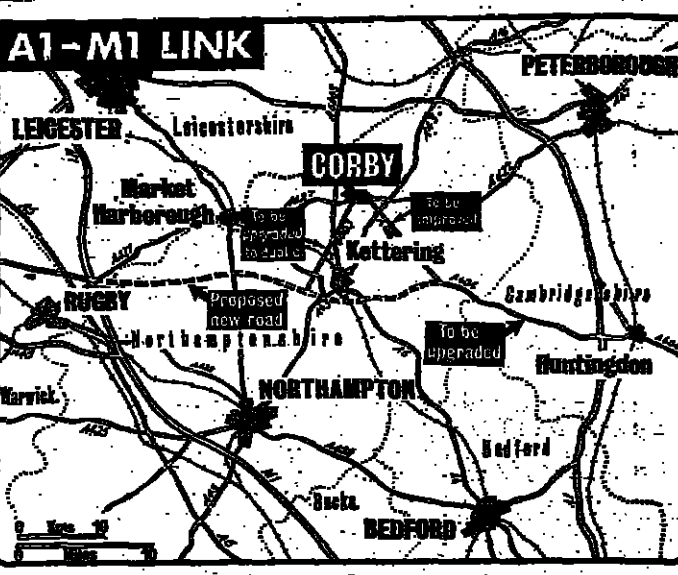
The Government has already announced plans to provide an improved link between the M1

motorway and the A1 trunk road, which the committee estimates would cost some £18m, and so what Corby is really seeking is a commitment of about £36m from external sources.

It is now looking for private partners for some of this and the first step has been a link with the Prudential to develop 50,000 square feet of factory units at the Oakley Hay industrial estate at the southern end of the town.

Corby has ample land, and some empty premises, but a desperate shortage of units of up to 2,500 square feet for the small manufacturer. The deal with the Prudential will help to ease this blockage.

BSC Industry will also help here because there is about



120,000 square feet of unwanted space in the steelworks which could be converted to small workshops and as much again which can be sold in freehold blocks for people to adapt in whatever way best suits them.

There are other sites in the town that could be made available for industrial use, so that Corby is not without good resources. The strategy drawn up is based on the assumption that even without any further steel cuts about 4,700 new jobs will be wanted in the next four years and that the most urgent requirements are the provision and promotion of marketable industrial and basic transport links. Corby already appears to have much going for it, so that good might still come out of a desperate situation.

Swelter to win the 'lucky dip'

THE QUALITY of racing at Doncaster this afternoon is unlikely to match the first two days' standard.

However, those who fancy their chance in lucky dips have the opportunity to indulge themselves by tackling the William Hill Portland Handicap

(3.05) run over five furlongs. Twenty horses stood their ground at the overnight declaration stage. It is best to concentrate on those drawn among the high numbers under the stands' rails.

Last year the race was won by Oh Simmie, drawn 18 of the 21 runners, but this time she is drawn No. 4. The chances are that the winner will come from

Cree Song, Swelter and St. Terramar, who are drawn 17, 15 and 14 respectively.

It is virtually impossible to separate them at the weights, but my choice is Swelter to win from St. Terramar.

Michael Stoute runs a promising two-year-old for Mr. Robert Sangster in the Daniel Penn Plate (2.30). This colt Montclair, by Habitat, out of a mare by Ribot, ran for the first time at Newmarket on August 23. He finished third, a neck and five lengths behind First Movement and Gielgud.

In view of Gielgud's victory in the Laurent Perrier Champagne Stakes here on Wednesday, and the fact that he is certain to have derived considerable benefit from his initial outing, it will require an exceptional newcomer to beat him.

Get Stoned, runner-up in the Bessborough Stakes at Royal Ascot and a strong-finishing fourth in the Tote - Ebor

Handicap at York, is the likely winner of the British Car Auctions Handicap (2.00).

Our Home, though she has disappointed on several occasions since finishing a close second to Quick as Lightning in the Coronation Stakes (4.05). Goodwood visitors and television viewers will be able to see Kris back in action in the Crown of Crowns Stakes (2.45). Later, they may do worse than to back Burleigh in the George Todd Apprentices' Challenge Trophy Handicap (4.15).

DONCASTER
2.00—Get Stoned***
2.30—Montclair***
3.05—Swelter
4.05—Our Home

GOODWOOD
2.15—Garish Island
2.45—Kris
3.15—Flying
4.15—Burleigh

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Enlarging the tax base

BRITAIN'S tax system has at times seized up to 98 per cent of certain individuals' marginal incomes—yet it has borne more heavily on the poor than the rich. It still provides large subsidies for industrial investment and offers exemptions for small businesses, while channelling 80 per cent of personal savings into housing, life assurance and pension funds. It has convinced tax-payers that their tax burden is exceptionally heavy, while the revenues raised in relation to national income, are somewhat below the international average.

Yet politicians of every political hue have clung with determination to the basic structure of this crazy system while incessantly tampering with it at the margin in a way that has brought them no nearer to their ideological goals, has created uncertainty, spawned a totally unproductive industry of tax avoidance experts and at times exacerbated inflation. These broadly are the conclusions, expressed in more diplomatic and academic language, in Joseph Pechman's "outsider" view of the British tax system, published yesterday in the Brookings report on Britain's economic performance.

Fiscal reforms

There may be quibbles about certain details of Mr. Pechman's calculations, such as the way he deals with undistributed corporate profits in arriving at his conclusion that the British system is significantly more progressive than the American structure and that it taxes investment income less heavily than income from employment, despite the existence of the 15 per cent investment income surcharge. (It is worth noting that he believes nevertheless that this surcharge should "be repealed outright.") But there can be no disputing his central message: Britain needs a more rational tax system and Government fiscal reforms should be directed towards improving the tax structure rather than merely tinkering with tax rates.

The structural problem is not so much that the tax burden as a whole is excessive, or even that the British system relies too heavily on taxing employment, rather than spending taking the contributions of income and payroll taxes together. Britain's tax structure is quite similar to that in most European countries. In Britain, however, the more or less average employment tax yield is produced by high marginal tax rates on

average earnings, whose effect is then offset by extremely large allowances for particular kinds of savings and incomes. The tax reliefs on mortgage interest, life assurance premiums and pension schemes reduced the yield of income tax by £2.4bn in 1979-80. If employers' contributions to pension funds had been paid as income and then taxed, the yield of income tax would have increased by roughly another £1bn. These exemptions alone reduced the yield from income tax by over 15 per cent.

Loopholes

The most obvious effect of these tax reliefs is to distort both consumption patterns and capital markets, as evidenced by the growth of the building societies and the rise of house prices and by the dominance of institutional investors in the stock market. But there is also a more subtle, and in many ways more important, political effect.

On the one hand the existence of numerous reliefs, exemptions and loopholes has made marginal tax rates which are absurdly high by almost any standards more tolerable and, therefore, politically acceptable. Even when the highest marginal tax rate on earned income was 83 per cent it was possible for employers to provide their top executives with high standards of living by taking advantage of all possible tax exemptions, and for wealthy individuals to protect their wealth and protect their investment incomes by judicious planning. What is very difficult, however, is for highly paid employees to accumulate savings which they can then channel into productive enterprises and risk-taking.

At the same time, the fact that a marginal tax rate as high as 37 per cent (including the national insurance contribution) is still imposed on the earnings of the vast majority of employees has meant, as Mr. Pechman observes, that "the political limits of taxation" have been reached even though there is, in his view, little evidence that the Government's total tax take has reached "the economic limits" where it creates significant disincentives. Indeed, even the last government found itself committed to an unlikely programme of reducing basic rate taxes when it could not raise compensating revenues from other sources without taking on inflation. By expanding the tax base, the present Government could keep its promise to cut tax rates without endangering monetary control or exacerbating inflation.

The paralysis in Iran

ANY HOPES of the early release of the American diplomats held hostage in Iran must inevitably remain slender as long as the Government in Tehran is paralysed by faction fighting. It is unlikely that President Abolhassan Bani-Sadr and his newly-appointed Prime Minister, who have signally failed to agree on the selection of a new Cabinet, will be able to unite on terms under which the hostages will be freed.

In this situation there is very little the U.S. can do. It has very few cards with which to bargain. The White House and State Department understandably feel that there is no point in offering concessions until they know that the authorities in Tehran are willing and able to discuss an agreement. There is no comforting parallel to be drawn here with the eventual release of the sailors from the USS Pueblo, captured by the North Koreans, or U.S. pilots shot down in Vietnam. In both cases Washington was dealing with governments which, however intransigent, were firmly in power and capable of negotiating when they so desired.

Power eroded

So far there is little sign of a government of real authority emerging in Tehran. Too often speeches on the fate of the hostages, by Iranian politicians, whose own authority may be minimal, are taken by the Western media, as considered policy statements giving grounds for optimism or despair. Attempts by the then newly-elected President Mr. Bani-Sadr and his foreign minister earlier in the year to secure some progress on the hostage issue swiftly revealed the shallow nature of both men's authority. In the months since the President has seen his power steadily eroded by the militant clergy who now dominate parliament. His attempts to stem the present wave of xenophobia, which this week led the British Government to close their embassy, have been unsuccessful.

Having failed to secure his own Prime Minister last month, Mr. Bani-Sadr even considered renouncing any responsibility for the government of the

Insecure

Both the militant clergy of the Islamic Republican Party and the President gained their present insecure positions of power by taking advantage of the wave of revolutionary radicalism which followed the taking of the American hostages last November. None of them can now afford to appear to be soft on the issue when parliament begins to debate the fate of the diplomats.



Men in power (left to right): Chairman Hua Guofeng; outgoing vice-premier, Deng Xiaoping; new premier, Zhao Ziyang; Vice Premier Wan Li; chief to the General Staff, Yang Dashi and new vice premier Huang Hua.

China finally shakes off Mao's legacy

COLINA MACDOUGALL describes how China's new rulers have established a more liberal regime. TONY WALKER in Peking (below) reports on the role of Deng Xiaoping and the unprecedented degree of criticism at the recent National People's Congress.

THIRTY-ONE years ago next month, Mao Zedong, a triumphant revolutionary supported by his loyal comrades, proclaimed a new republic in Peking. Now, almost four years to the day after his death, China has ignored his anniversary and all but shaken off the inheritance of his overwhelming charisma.

Peking has moved decisively to build on the relatively liberal early 1950s policies, so crudely interrupted by Mao's devastating mass movement and power plays of the late 1950s and 1960s. The last of the guerrilla band, once Mao's friends but finally his enemies, have set China on its new course and voluntarily left the stage to younger men. For this reason, if nothing else, the National People's Congress, which closed on Wednesday in Peking, is a landmark in the recent history of China.

The Congress has, of course, been skilfully stage-managed, and China has a long way to go to real democracy. Most important, Deng Xiaoping, the outgoing senior vice-premier, and his retiring colleagues have retained their party posts from which they will continue to supervise policy. But, the fact remains that Deng has engineered a bloodless transfer of power to a group of leaders who, though not elected, have broad popular support for their programme of economic growth. They know, following some spectacular dismissals before the Congress, that for the first time in post-war China they could get the sack for incompetence. Unlike the Polish leadership, which has been forced into

concessions, Deng and his colleagues have tried to forestall demands for higher living standards by making it abundantly clear that they are working for just that.

If Deng and his men had not already realised the strength of the discontent in China at the poverty and stagnation of the last years of Mao's life, the explosion of wall-posters and the grievances of petitioners flooding to Peking in 1978-79 would have brought it home. Peasants complained about hunger and injustice, workers about pay, conditions, and separation of families.

The outcry dramatised what the leadership already knew from its inadequate statistics about stagnant food production, rising population and inefficient industry. To this poverty was added disillusion with Communism and corruption bred by political feuding. All these factors would have threatened a leadership that could not tackle the underlying problems of backwardness, sluggish output, and official indifference.

Aware of the dangers, Deng and his men have acted quickly. Mao and the Gang of Four (his wife and her colleagues from Shanghai) between them had succeeded in imposing on China a ragbag of policies in which the only criterion of suitability was a naive concept of Leftist rectitude. As the Chinese Press has remarked bitterly since, any policy that led to prosperity was condemned as wrong, any one who proposed greater efficiency was hounded as bourgeois. Since Mao's death, this

outlook has been abandoned with ever-increasing speed. The architect of this newest China is Deng. Twice disgraced in Mao's lifetime, he returned to public life in mid-1977. By the end of 1978 he was sufficiently powerful to bring back to office a group of former officials with wide and practical economic experience to draw up new policies. Chairman Hua Guofeng, who ostensibly inherited Mao's mantle in 1976 and in the early months of his office defined his policies in clearly Maoist terms, was increasingly edged aside.

As the power of Deng and his associates grew (because of the appeal of their cohesive and practical programme to bring China out of its slough), resistance by those who had risen to power on Maoist policies crumbled, until earlier this year Deng was finally able to manoeuvre them out of their key party posts.

Chairman Hua's position has grown shakier since late 1978. His status as chairman was whittled down to the rank of nominal first among equals on the party's Central Committee. As spokesman early that year for the far-too-ambitious 10-year plan (1976-85), he has since had to carry the can for its rash mistakes and at this year's Congress to make a humiliating admission of its failures.

Deng, too, has had to make compromises. How much of the free criticism of 1978-79 was actually encouraged by him is a moot point. His own son is studying in the U.S. so he clearly believes in some degree of intellectual liberty. But, in any case, it had to be sacrificed last year when the mainstream Communists and military men on whom he partially depended for support, saw posters and unofficial magazines as a threat to orderly development.

However, official political reforms are to be introduced. The political system which functioned in the 1950s and was obliterated in the Cultural Revolution has been reconstructed. The National People's Congress and the local congresses have resumed their functions as forums for debate, which, though Government-

inspired, do at least air some criticism. Low-level direct elections, the party magazine, Red Flag, said last week, could even lead to national elections.

Intellectuals, despised by Mao, have come to the fore, and economic policy is clearly motivated by Deng's "think-tank," the Chinese Academy of Social Sciences. The relentless pressure of propaganda has eased, allowing a more relaxed social and cultural life. A new legal system is being drawn up (slowly, because of the shortage of lawyers) and the constitution is to be put under review (this is to be more wide-ranging and, one hopes, less drastic than the simple excision of the provision allowing critical wall-posters proposed by Deng earlier this year).

A vital part of the new legal system will be laws governing the relations between different economic enterprises. This has become essential because of the new freedom granted to individual factories. Over an experimental period, a selected group have been allowed to run their own affairs; keeping a share of profits, making their own plans, selling to their own customers at their own prices. From January, this will be gradually extended to all state-run enterprises and factory and contract laws are essential for the system to operate smoothly. The devolution of power to individual businesses is the next stage in the economic package begun in 1978-79 with higher pay awards.

The crucial question is: will it work? Already higher wages

and prices for peasant's crops have led to a budget deficit and inflation. This the Chinese propose to tackle with a squeeze on investment, which means a go-slow in heavy industry and foreign imports for another two years. However, this may not be a total calamity, since the Chinese are far from ready to absorb expensive foreign equipment to maximum effect. The Press in China has said frequently in recent months (probably in answer to its Maoist critics, who would like to see great-leap-style development) that it is essential for China to move gradually.

Inevitably, more unforeseen problems will arise. A fertile field for these will be the competition between factories, where Government pricing policies will make it easier for some companies (making watches or TV sets) to make a profit, while others (for instance, coal mines) will only break even. New tax legislation, promised at the Congress, will help, but will take some juggling to get the right effect.

While Deng has outmanoeuvred the remaining leftists, he has new opposition from the military, who at the Congress had to take a cut in their budget. How well he contains this probably depends on the success of his general economic policy. While the tea-leaves are still illegible, the competence of the newly-appointed leaders and the open atmosphere of the Congress argue convincingly that Deng is on the right track.

Deng's silent dominance of the People's Congress

ONE MAN who maintained an almost Olympian detachment throughout China's parliamentary session, which finished on Wednesday, virtually dominated proceedings. Without saying a word during the sittings, certainly nothing that has been published by the official media, Deng Xiaoping, the outgoing senior vice-premier, has seen policies he had championed implemented and younger leaders he had patronised confirmed in high office. It has been a remarkable achievement for Deng who only began asserting his authority in 1978 after being purged for a second time two years earlier.

Deng Xiaoping has quietly chain-smoked his way through the various sessions of the National People's Congress, a small figure alongside Hua Guofeng, the party chairman and outgoing premier who sat to his right. On the four occasions the foreign Press were able to view proceedings—and there were during important speeches—Deng showed little animation, allowing himself only the occasional aside to veteran comrade, Li Xianian who sat to his left.

If Deng's sense of triumph is less than complete, this no doubt derives from China's present financial difficulties, notably the shortage of foreign exchange which is holding back the country's ambitious modernisation programme. Last year's deficit and ambitious projects like Baoshan, the giant integrated steel-making complex on the fringes of Shanghai, now soaking up scarce foreign exchange, mean that a number of new projects vital to China's modernisation plans will be

delayed. The squeeze is already being felt in projects under way, several of which have some foreign involvement.

A perhaps more worrying consequence of the squeeze on funds than the slowdown of capital construction projects is the apparent irritation it is causing to relations between China's powerful military and their political masters. While the generals made it clear during the Congress that they were prepared to accept cuts this year, there was an undercurrent of annoyance in their remarks during congressional discussions.

Yang Dashi, chief of the General Staff, for example, said the military could not "just sit and wait" for funds to modernise its antiquated equipment. "We hope that the state increases by an appropriate amount the national defence-

budget to speed up the process of modernising our defence capability," General Yang said. He added, pointedly, "the relations between the military and the Government and between the military and the people are not as congenial now as before."

His message, on behalf of his military electorate, to senior officials controlling the purse strings was that the army would not happily continue as poor relation in China's modernisation drive. It is certain his remarks were carefully noted.

A feature of this Congress—both may either reflect the reporting of it by China's official media or, indeed, that more freedom was in fact allowed in debate—was the sometimes quite pointed criticism of the Government. Apart from the complaints of the military, there

was also disquiet among deputies over the costs of Baoshan with suggestions the Government was being less than frank about problems there.

Statements couched in acid terms about the balance of payments deficit and questions why expenditure had been allowed to overrun by such large amounts punctuated early stages of debate.

Mixed in with this, of course, were ritualistic endorsements of the line adopted in speeches by the leadership. Thus, bureaucraticism was assailed as was the refusal of some older officials to step aside for younger cadres—both prominent themes in speech delivered by Chairman Hua Guofeng.

But contributions were invaluable enough in many cases to suggest that the National People's Congress,

rubber stamp that it is, is providing some sort of forum for debate. One deputy even had the temerity to suggest that the congress be given authority to initiate its own legislation and that it should be able to get away from merely endorsing policies served up to it by the Party. It would take a major and almost unthinkable convulsion in relations between the Party and the State for this proposal to be implemented.

There does appear, however, to have been some attempt to divide state and party functions at the Congress. This was one of the reasons given for the retirement of some officials from State office, notably Hua Guofeng who gave up the premiership while retaining the Party chairmanship. But the Party is not about to instal non-Party officials in State jobs.

MEN AND MATTERS

Tee time for Wood

Twelve years removed from control of the food mixer company he founded, and approaching his 64th birthday, Ken Wood assures me that his latest commercial venture is his last. As he sits in a man preparing to relax, he has invested a chunk of his fortune and a large slice of his Hampshire farm in a golf course. Teaming up with two other (sporting) household names, Peter Allis and Dave Thomas, and their course-building company Golf Construction, he has recently seeded 157 acres of newly contourable land and expects to take his first swipe at a ball on the Thorns Farm Golf and Country Club next June.

And while the grass sprouts he will be sifting applications for membership with an eye on business people from home and abroad who will appreciate the conference room, secretarial services, telex machines, and 28 bedrooms on offer in the £1m development.

Something of a change from his main pursuits since Kenwood was taken over by Thornycroft hydraulics and generator manufacturing and leasing—the fairways and membership of the Golf Construction board will keep him close to his old loves of farming and his horses.

But I suspect he may be offering a hostage to fortune with his assurances that the club is "a rather thrilling last bang in business." Given that many a commercial bargain is struck while thrashing about in the rough and taking into account the members he wants on the roll, he can hardly fail to avoid temptation while out there polishing up his own handicap of 18.

Exceeding small

"Lex non curat de minimis." Whether the ancient sage was referring to my distinguished colleague on the back page, or to a more abstract entity, I can hardly say. But in either case, I feel, we City habitués have too blinkered a view of British industry. What of the smaller fry, who toil away beyond the gaze of broker and scribbler alike?

And so it was that I sought from the mighty computer bank of DATASTREAM the identity of Britain's smallest quoted company. There was a degree of initial doubt in the digit-filled rooms that the computer could shrink its focus to such a matter. But, within moments, up it coughed. Getting into practice, it threw out a trio of bearer-shares. Then, with the technicalities behind us, came the moment of truth: Dura Mill Ltd. Market capitalisation £0.0m.

I should explain that the £0.0m should not be taken too literally. It merely exemplifies the lofty bases on which the DATASTREAM machine works. A little back-of-envelope arithmetic revealed that Dura's market capitalisation is around the £22,000 mark, easily nudging out of the times' top spot Gaunt Rowland and the Scottish Ice Rink Company (1928), where already we are high in the £0.1m bracket.

chester works, is cotton-doubling. Which, it was carefully explained to me, is the twisting together of several yarns—as distinct from spinning the stuff. And for large as well as small in the textile trade, times are "very bad," chairman Jimmy Fittion told me.

Caveat emptor

It seems hardly credible that one could ever stoop to dissimulation to feed a pet dog. But in these hard-pressed times every little saving counts, and I am indebted to the Liverpool Master Butchers' Association for a cunning "tax management" scheme to help Fido make the best of his VAT liability.

It was revealed by a Merseyside meat merchant at the Association's September meeting that if the unwary customer asks for dog meat and receives a pound of ox-cheek, then the meat is liable to VAT. But if—and here I must ask VAT inspectors to skip the next few lines—the customer asks for ox-cheek, which is subsequently fed to the dog as before, then the meat is free from VAT.

The same holds true, I should point out, for bones. A bone bought overtly for canine consumption incurs the 15 per cent supplement. The covert bone does not.

But is it legal? If, with hand poised above the casserole I should spot Fido's fawning face and slip him a lump of cheek, must I rush back to the butcher tax in hand? Or if I am moved to soup-making while Fido must starve, can I reclaim the tax? An answer is needed, and quickly.

Suitable pair

In the best traditions of their trade, two of London's most distinguished bespoke tailors have just completed a neat piece of invisible patching. Henry Poole, livery tailors to the Queen, and Sullivan Woolley who cater to certain of the more traditional dressers in showbusiness, have merged. The joins, however, will be undetectable except to those



"My secretary is blind. I'd be lost without her."

Sandy takes down her boss's dictation accurately, then types it out from her braille shorthand. Good speeds, good page layout. Sandy says there's nothing special about that—and she's right. The fact that she's blind makes very little difference to her efficiency. Sandy got her job on ability. And her ability won her promotion to personal secretary in an important Post Office department. That's the point. The RNIB trained Sandy at its Commercial College, and any firm that employs a qualified blind person will benefit from the demanding and professional training that we at the RNIB provide.

If you happen to be an employer, think it over. We'll be pleased to hear from you. Over and above that, the RNIB needs your help, through legacies and donations, to enable us to train others like Sandy.

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هكذا من الضمير

Mr. Steel dreams of a 'better yesterday'

Malcolm Rutherford reports from Blackpool that the Liberals are increasingly confused about what the Party stands for.

has not been accompanied by a corresponding spreading of debate on Liberal philosophy. And again: "The Liberal Party depends on liberalism rather than the other way round."

The same thought was expressed by Mr. Richard Holmes, the new party president, when he said that the "new Liberal Party" began under the leadership of Mr. Jo Grimond 21 years ago, and wrote in the party newspaper that Liberals were still living off the "intellectual feast of the Grimond years"—hardly a compliment to Mr. Steel.

In other words, in spite of the odd setbacks the Liberals may have been generally advancing in terms of electoral support, but it has become increasingly less clear what the Party stands for. In the early 1960s there were certain issues with which the Liberals could always be identified: support for the European Economic Community, for example, or free trade.

Nowadays you can no longer be so sure. At the present assembly, the traditional stand on both issues has come under sustained attack, not to speak of conventional attitudes to defence.

Of course, the changes in Liberal attitudes only mirror the changes in attitude among the electorate as a whole. It would be absurd to expect the Liberals alone never to alter

their views nor to adapt to different circumstances. But the Liberals seem to have put nothing in place of the old certainties, or at least nothing mainstream. They have become the party of fringe issues, trendy rather than trend-setting.

Nowhere is the gap more obvious than in economic policy. Mr. Cyril Smith, MP for Rochdale, prefaced his recommendations about what should be done to reduce unemployment with the words: "Don't please let's have any rubbish about what we can afford." There is a belief, not unique to the Liberals, that the revenues from North Sea oil can be spent two, three or four times over.

The Party wants to spend more money without giving the first thought to where the equivalent revenues would come from. It appears to be not much interested in either inflation or the trade unions. It would like an income policy, but ignores all the evidence that previous incomes policies have been less than successful over the longer term.

Mr. Meadowcroft's pamphlet says on this subject: "Our freedom to negotiate pay and conditions of work is a theoretical Liberal principle, but experience demonstrates that the greater good requires an incomes policy." Even if one could agree on a definition of the "greater good," it is by no means obvious that experience demonstrates any such thing.

On this, as on so many other matters, one suspects that the Liberals are no longer very liberal beneath the skin. On the surface there is a belief in the essential benevolence of human nature under Liberal guidance. Beneath there is a remarkable readiness to resort



Mr. David Steel in pensive mood. The prospect of a centre party alliance, prominently mooted by Mr. Roy Jenkins (right), seems to have attracted little support at the Liberal Party Conference.

to compulsion. The majority of the Party no longer seems to want to combine economic and political freedom.

That brings us back to Mr. Meadowcroft's other statement: "The Liberal Party depends on liberalism rather than the other way round," and, as he also wrote: "Liberalism is more an attitude of mind and a way of life than a political system."

Put another way, the Liberals have no monopoly of liberalism. There are liberals in the Tory Party and the Labour Party as well, even if they are not always very conspicuous. Mr. Steel would probably prefer the term "moderates." Yet what it comes down to is that he wants the liberals in the big parties to break away and join, or at least ally with, the Liberal Party at the very time when it is itself becoming less liberal.

In short, he wants a centre party composed of Tory and

Labour dissidents around a Liberal Party banner.

It could happen, but on the basis of the available evidence, it does not seem likely. Mr. David Marquand, the former Labour MP and one of the principal advocates of a realignment in British politics, came to Blackpool to address a fringe meeting which turned out to be packed to overflowing. It was assumed, though not entirely verified, that he was speaking on behalf of Mr. Roy Jenkins, who himself paraded the idea of a centre party.

It was an extremely impressive performance, especially in the analysis of the Labour Party's failings in recent years. But two facts emerged.

One was that the Liberal activists felt themselves to be well to the left of the Labour Right. Indeed, Mr. Meadowcroft argued in reply, with considerable support, that in their anti-

establishment feelings Liberals had more in common with Mr. Dennis Skinner, perhaps the most Left-wing anarchic MP in the House of Commons, than with (say) Mr. William Rodgers, the Shadow Defence Secretary.

The other fact was that Mr. Marquand had no troops. He could not say if or when Labour MPs were going to defect, nor did he reveal anything new about the cryptic intentions of Mr. Jenkins. All he was doing was confessing Labour's past and present inadequacies. The exposition was intellectually more distinguished, but there was nothing in it to prevent Mr. Marquand following the example of Mr. Reg Prentice and switching to the Tory Party direct, or at least to the Liberal wing of it.

It is possible that it will be quite different if the Labour Party conference ends in a decisive victory for the Left. Dr.

David Owen, Mr. Rodgers, Mrs. Shirley Williams and others could then break away from the Labour Party as we have known it. Yet the mechanics of such a break are still hard to imagine. And even if the break took place, the dissidents would not necessarily rally to Mr. Steel.

There is, for example, the matter of the leadership of any new alliance. The question is so obvious and so personal that it is rarely raised, but could one really see former Cabinet ministers falling in behind a Liberal leader who has never held any Government office?

The same applies even more so to any alliance between Mr. Steel and Mr. Jenkins. Could Mr. Jenkins, former Home Secretary and former Chancellor of the Exchequer, really consent to being number two, and would the Liberal Party wear it if he were to seek, even with Mr. Steel's support, to become number one?

To return to reality, the most likely course of events is still that Mr. Denis Healey will succeed Mr. James Callaghan as leader of the Labour Party, probably in the Autumn. The Party will not split significantly. Mr. Healey will be popular in the country, partly because he is already well-known and well-liked, and partly because of the circumstances of the time, should have a lot going for him. He will give Mrs. Thatcher a hard fight, though as he himself would be the first to admit it is impossible to predict what will happen in a general election in 1983 or 1984, because none of us know what will happen in the meantime.

It is conceivable that the anti-Tory swing in by-elections and the opinion polls will go directly to the Labour Party rather than

to the Liberals as a halfway house. The reason is that the Liberals under Mr. Steel seem to have opted out of the main issue in British politics: namely, the conduct of the economy.

As for the Tories, there may well be a rebellion against Mrs. Thatcher, though certainly not yet, and, if it comes, it is as likely to be from the Right as from the Left. It is improbable, to say the least, that any group of Tories would wish to break away to a centre party.

The problem with the Liberal Party is that Mr. Steel has caught the illusion of power. There are a great many Liberals who would be happy to be part of a protest party for ever, and a great many others who would like to have a protest party to turn to between—or even at—general elections. There is also a lot to be said for a party which keeps alive such liberal causes as racial and sexual equality, constitutional reform, animal welfare, or the rights of gypsies. But Mr. Steel wants office.

The theme of the fringe meeting which Mr. Marquand addressed this week was Liberalism and social democracy. It was said of Mr. Marquand, and by implication of his mentor, Mr. Jenkins, that what he was really offering was the politics of "a better yesterday," the phrase having come originally from Professor Ralf Dahrendorf. The same could be said of Mr. Steel. He is seeking a return to the politics of consensus without having noticed that the world has changed. Mr. Steel is a social democrat.

Meanwhile, the marriage between economic and political liberalism remains as elusive as ever. It has certainly not been consummated in Blackpool.

* Liberal Values for a new Decade. Liberal Publications Department, 9 Poland Street, London W1. 50p.

Letters to the Editor

Plight of the unemployed

From the Chairman, Association of Professional Employment Agencies.

Sir,—We were saddened to read a letter you published on September 9 from Mr. Edward Hurst attacking this association for its evidence to the House of Commons Committee on Employment.

He accuses us of "unsubstantiated generalisations" and "misinformation." Whilst not wishing to join him in a battle of abuse between two like-minded organisations, we feel compelled to refute his unwarranted attack on the Association of Professional Employment Agencies, by commenting on his letter as follows:

1—We have never suggested that all the 2m jobless were workshy. We simply informed MPs that according to information supplied by our members, there was a growing indication of an element of people being too choosy while more still did not realise the full implications of the present recession and its effects on salaries and wages.

2—On the question of standards in our schools: in brief all our evidence to the Select Committee was merely a confirmation of what has already been said many times before by Government committees, academics, companies, and unions alike; that the lack of numeracy and literacy was a drawback for school leavers finding jobs or filling vacancies and until this problem was solved we could not foresee any marked improvement.

3—However, Mr. Hurst's defence of the Jobcentres was to say the least a little surprising, as it was only a few years ago that his own organisation was spearheading an even more direct attack on the "wasteful-

ness and inefficiency of the Jobcentres." In addition, an official Government committee was saying the same thing not so long ago.

The Manpower Service Commission, the Jobcentres, Mr. Hurst's organisation and the Association of Professional Employment Agencies all have a part to play in finding solutions to the present jobless crisis, but as we stated in our evidence to the House of Commons Committee, what is first required is a recognised and accepted manpower policy which makes proper use of the nation's human resources and it is in this context comments from Mr. Hurst would have been of more use.

Trevor Cole,
6, Great Queen Street,
WC2.

Working wives

From Mr. Thomas E. Whittle.

Sir,—There is an interesting connecting link between the letters of Mr. N. J. Greenwood (Measuring unemployment) and Dr. E. S. Staveley (Women at work) in your issue of September 8.

Nineteen-thirty is 50 years ago and comparisons with 1980 are both invidious and irrelevant since the whole structure of social security is now so vastly different. It would, however, be illuminating to see the comparative percentage of the adult population (from education or training to age 65) actually employed quoted regularly in the media.

In the 1930s the majority of married women stayed at home to look after the family—now the majority seem to go out to part-time or full-time work, for reasons aptly stated by Dr. Staveley. To what extent there-

fore are the unemployment figures inflated by married women once employed and now out of work. Could it be that the number of "employable" adults actually working today is far greater than pre-war?

Dr. Staveley has a very valid point that the tax system positively encourages "working wives" to seek the tax advantage of a job. Surely the only fair way is to give married couples exactly double the tax allowance of single workers (male or female alike) or treat all adults not pensioned as single people for tax purposes. To attract married women into paid employment by tax or other incentive is, as Dr. Staveley says, quite indefensible.

Thomas E. Whittle,
19, Kildoon Drive, Maybole,
Ayrshire.

Leading from abroad

From Mr. D. C. F. Mann.

Sir,—It was interesting news yesterday hearing that Sir Terence Beckett—the chief executive of Ford UK—would head up the Confederation of British Industry. Sir Terence in a radio interview last night said he always liked to think twice before giving a decision, which is admirable. The interviewer then went on to say that Sir Terence's salary was thought to be less than he received from Ford but he would get a car and would insist that it was a training to age 65.

Presumably the top of the Ford range—a Granada GLE. I wonder whether Sir Terence would like to think twice about leading British industry with a German-built car! D. C. F. Mann,
"Staddlestones,"
Shipston Road,
Upper Tysoe, Warwick.

Warship builders' performance

From the Group Managing Director, Vosper Thornycroft (UK).

Sir,—I have refrained from writing over the previous month or so when statements have been published saying that British warship builders are living on cost-plus contracts with large profits from the Ministry of Defence. In no way is this true for Vosper Thornycroft (UK) where at the present moment we do not have a single cost-plus shipbuilding contract and the profits in those MOD contracts we do have are very modest.

I must now, however, take up the comment in Mr. Hall's article of September 3, that the efficiency of the warship yards is far less impressive than the top UK merchant yards. The facts in the last British Shipbuilders' published accounts speak for themselves. It is only the warship builders among the shipbuilding companies which made profits.

In the case of my own particular company our profits were the very considerable sum of £22m. We are the first to recognise that there is considerable scope for improvement in our productivity. It does no good, however, to the morale of the employees of the company, which is producing these sort of results and where 60 per cent of its work is earned overseas, to read such damaging statements.

David Wilson,
Vosper Thornycroft (UK),
Farham House,
East Street,
Fareham,
Hants.

New approach to accounting practices

From Mr. Heinrich H. Jonas.

Sir,—As an old professional accountant working in industry I have read with great interest your article "Standard Proposed for Currency Translation" in the Financial Times (September 2). I would like to write to you to express my sincere gratitude for the opinion expressed therein.

Accountants clearly belong to the under-privileged class and must search for more freedom. On the one hand we are subject to severe standards of so-called "good accounting" and in addition we are supervised in our work by independent auditors. On the other hand, the application of those standards may eventually lead to us accounting for losses and corresponding reporting which brings us into conflict with our own management. For, as you know, losses are generally considered obscene. Nobody really wants them or—at least if this cannot be avoided—to report them in any publication. So, if the accountant is unfortunate enough occasionally to account for losses, this really puts him into a dilemma. Thus, any new proposed accounting standard which relieves us of this fatal situation cannot be but welcomed. This is the freedom which we, suppressed as we are, are really looking for.

What I like best about this new development is the possibility of transferring losses arising within the economic entity directly to the equity account. This will permit me to show the management in the future nice earnings even if the equity dwindles away. With this, many of my problems will

be solved. Also, this new proposed standard opens new avenues for external reporting. If losses on currency conversions lead to a diminution of the equity, I shall concentrate on the profit and loss account. Don't mind the equity. This is anyhow a pure bookkeeping entry. In addition I may suggest for further improvement that, even if applying this new standard, losses in the profit and loss account cannot be avoided, they should be treated as an extraordinary item. This corresponds with the common notion that losses are always something abnormal and of a temporary nature. Every enterprise is in its structure and business policy sound and reasonable. If losses arise they are always clearly related to extraordinary, unavoidable circumstances beyond the discretion and responsibility of the management. Therefore, the showing of losses as extraordinary items does seem clearly valid.

If I would be as unfortunate as to report losses of course as extraordinary items (whereas gains from the conversion of currencies are transferred to equity) I could in my reporting concentrate on the investor's approach. Don't mind the profit and loss account but look on the steadily increasing value of the investment.

The proposed new currency accounting standard has, however, the negative effect that in spite of showing continuous gains, the equity of the company may dwindle away. At the end, we have always operated with profits but no longer have any equity. So, even if I would steadily report about

profits, these possible consequences cannot be overlooked. Furthermore, the famous "FAS No. 8 yo-yo" will gain earthquake-like dimensions in the equity account. I have pondered this problem and found the best solution in the German way of capital consolidation. Couldn't we have an accounting standard which, instead of transferring losses to the equity account, permits us to capitalise them as differences arising from consolidation? In this way, we could easily offset any loss by a corresponding asset item.

Of course this new approach requires that we forsake some outmoded accounting principles: the principle of accounting for the economic entity; the going concern concept and the principle of reporting periodic income. But don't mind. These principles are of lofty academic nature. They imply judgment and are based on fiction. On this basis sound accounting frankly cannot be developed. I am pleased to see that the "Investment approach" has now been introduced into this discussion. This leads us back to the good old-fashioned propriety concept for consolidated statements which went into oblivion many years ago.

There is no other interest in subsidiary investments other than to receive earnings from them; any other aim for the acquisition or holding of subsidiaries in a joint group, so as to implement the basic business policy, the better use of internal resources, the gaining of synergistic effects by joining companies together should be considered as either non-existent or of secondary nature. If the

management of a combined group maintains the point of view to coordinate and uniformly conduct the business within this group, this should not bother the accountant. I see only the value of the investment and the related results. So I feel entitled to do my accounting in a piecemeal fashion.

This new currency conversion method should, however, also be welcomed because it is so nicely linked to the new standards or proposals for inflationary accounting. Accounting could then be based on two simple standards:

(1) The management determines in each period what amount of profit has to be shown;

(2) The accounting manager acts accordingly.

If experts should maintain that this sounds a bit far-fetched, I would like to submit that these accounting procedures should be limited by the blue sky. We would then in fact be back again to the good old times before the introduction of the blue sky laws, before the Securities and Exchange Commission, and the wake of other internationally recognised accounting standard-setting bodies which hamper our work so very much indeed.

Sir, I wrote you a lengthy letter indeed but your article relieved me in many ways. I now see the silver lining. The outlook all this offers for future accounting is too nice, it's almost fantastic. If it would not be discussed among earnest professionals, one could hardly believe it.

Heinrich H. Jonas,
Ladenburg, West Germany.

Today's Events

GENERAL

UK: Sir Ian Gilmour, Lord Privy Seal, speaks at Kingston-upon-Thames.

Mr. Patrick Jenkin, Social Services Secretary, speaks in Edinburgh.

Viscount Trenchard, Industry Minister, speaks in Durham and Gosforth.

Mr. H. B. Ford, Barbados Minister of External Affairs, arrives in London for four-day visit.

National Coal Board official light-up of new coke ovens at Monkton Colliery Plant, near Jarrow.

Liberal Party assembly continues, Blackpool.

Princess Anne attends gala preview of "Oklahoma" in aid

of Riding for the Disabled Association.

Golf: Merseyside Open Championship, Royal Liverpool; Hennessy Cognac Cup, Sunningdale; Men's Home Internationals, Royal Dornoch; Women's Home Internationals, Cruden Bay; Hitachi Women's PGA Tournament, Walsall.

Overseas: Mr. Peter Walker, Agriculture Minister, starts tour of Venezuela and Argentina.

World Photographic Fair (Photokina 80) opens, Cologne (to September 18).

OFFICIAL STATISTICS

Department of Employment

issues August retail prices index. Central Statistical office publishes tax and price index for August. Building societies' monthly figures (August).

COMPANY MEETINGS

Avana, Park Hotel, Park Place, Cardiff, 3. P. F. Bevan, The Midland Hotel, New Street, Birmingham, 12.15. CH Industrials, The Carlton Tower Hotel, Cadogan Place, W. 12. General Electric, Institution of Electrical Engineers, Savoy Place, WC2. 12. RFD, Winchester House, 100 Old Broad Street, EC2. 12. Radiant Metal Finishing, 68 Fairfield

Road, Bow, E. 10.30. Thorn EM1, Winchester House, 100 Old Broad Street, EC2. 12.

COMPANY RESULTS

Final dividends: Cantors, Interim dividends: Appleyard Group of Companies, Friedland Doggart Group, Interim figures: BL.

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LUNCRTIME MUSIC, London

Organ recital by Leonard Lazell, St. Paul's Cathedral, 12.30 pm.

Singers' workshop, St. Mary Woolnoth, Lombard Street, EC4, 1.10 pm.

Recital by Kirsten Johnson (mezzo soprano), St. Martin-in-the-Ludgate, Ludgate Hill, EC4, 1.15 pm.

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Skelmersdale what's in a name?

Bridon down at interim stage

REFLECTING A deterioration in UK trading conditions and the disruption caused by the steel strike, taxable profits of the continuing businesses of Bridon, wire, rope, cables, plastics and engineering group, fell to £5.6m in the first half of 1980, compared with £8.07m.

However, when the £9.59m losses before interest of Ashlow Steel and Engineering Company were included, the first-half 1979 surplus was converted to a deficit of £1.52m.

Second-half profits are expected to be materially worse than those for the first six months, warns Mr. J. Laird, chairman, in view of the poor prospects for UK activities brought about by low levels of activity and intense price competition and despite forecasts that overseas operations generally will hold up reasonably well.

The interim dividend is maintained at 2.3p and the chairman says the major factor in the consideration of a final is expected to be the extent to which an improvement in UK profitability during 1981 can be achieved. Management action has been and is being taken to counter the effects of difficult trading conditions, he adds. A total of 5p was paid last year from pre-tax profits of £3.59m, which were after losses of £11.81m at Ashlow.

Other overseas subsidiaries, in total, showed an improvement compared with the first half of last year.

The surplus this time is struck after depreciation, net of grants released, of £1.86m (£1.9m). Interest charges up from £2.64m to £4.26m, and the associates' share of £3.3m (£3.1m), which included £3.5m from the interest in the Haggle group, disposed of in May.

increase in expenses for the department stores was 20 per cent while their lift in sales was only 12 per cent.

John Lewis profits down 28% halfway

ALTHOUGH PROFIT before tax of the John Lewis Partnership fell by 28 per cent to £9.2m in the first half of 1980, the size of the profit may actually come as a pleasant reassurance in the light of the diminished profits reported by some other companies recently, says the chairman Mr. Peter Lewis.

The volume of retail sales was running about 1 per cent below a year ago and he cannot see why the present national scene should be expected to change materially in the rest of the year.

Sales in the department stores and Waitrose supermarkets in the half ended July 26 rose by £50m (17 per cent). Department store sales increased £20m (12 per cent) and supermarket sales by £30m (25 per cent).

Trading profit at £16.2m was £1.7m lower than last year's record. Waitrose trading profit rose by 25 per cent.

Interest payable rose by £1.8m principally because of higher interest rates. The profit available for tax, reserves and profit sharing among the 25,000 workers-partners was £9.2m—28 per cent down. Allocation between reserves and profit sharing in the Partnership is not determined until full year results are known.

Mr. Lewis says the Waitrose improvement, and it has made a particularly valuable contribution when the department stores are experiencing a temporary reduction of profit. Even in Waitrose, however, expenses rose faster than sales, and he gives some measure of the situation by pointing out that the

Turnover went ahead to £149.98m (£146.38m); exports from the UK rose to £20.37m (£16.69m) and other overseas sales to £86.14m (£81.55m), but UK sales fell from £58.04m to £53.45m.

Tax takes £2.13m (£289,000) and there are minorities' losses of £76,000 (£304,000). After an extraordinary credit this time of £2.21m, comprising a £4.8m surplus on disposal of investments mainly relating to Haggle, less additional expenses and provisions of £2.9m following the Ashlow closure, net profit emerged at £4.58m compared with a loss of £1.5m.

Earnings per 25p share are shown as 4.83p (2.78p loss).

comment

Bridon's troubles proceed apace. Hardly had the company disposed of the losing Ashlow engineering subsidiary when its main wire businesses ran into the recession. Pre-tax profit from the group's continuing operations dropped 30 per cent in the first half. However, worse is to come. Wholly owned activities produced only £372,000 with the remainder coming from associates of which £2.3m was from Haggle which was sold in May. Thus, the "materially worse" results the group expects in the second half are to be based on the value of its continuing businesses in the first half. The sale of Haggle has cut borrowings in half from the year-end which will obviously cut interest costs in the second half but it would probably be prudent to expect nil profits in the second half. A final dividend would seem unlikely unless demand turns around very quickly. The 1p rise in the shares yesterday to 69p is difficult to understand. On the assumptions for the second half the shares trade at a very high 13.8 times stated earnings and yield less than 5 per cent.

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BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are payable or likely and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interim—Apothy, Charles Child Industries, Friedland Daggart, I.D.C. Norvic Securities, George Oliver (Footwear), Rowton Hotels, Fulle—Blackwood Morton, Bracknell, Cantors, Kinross Mines, Leslie Gold Mines, St. Helena Gold Mines, Unisil Gold Mines, Winkfield Mines.

FUTURE DATES

Interim—Sept. 16: Blackleys, Shalder, Inverest, Lane (Percy), Leadenhall Sterling, Rowan and Boden, Wadkin, Whitman Reeve Angel, Wimpey (George). Sept. 17: London Merchant Securities, Suda, Trafford Park Estates, Viceroy (James), Goldsmith and Silverman.

HARLAND SIMON

Harland Simon (1980) has formed a new company to be known as HS Electrical Contractors. IIS will be broad based in its installation activity and will undertake electrical installation of equipment designed and manufactured by Printing and Process Applications and Harland, which constitute the two divisions of Harland Simon (1980).

Sedgwick falls £2.4m as strong pound takes toll

WITH AN important part of its income earned in U.S. dollars and other foreign currencies, the continuing strength of sterling has adversely affected first-half 1980 results of Sedgwick Group, insurance and reinsurance broker and underwriting agent.

Excluding insurance companies, pre-tax profits dropped £2.4m to £22.9m for the six months to June 30, but applying the exchange rates ruling during the first six months of 1979, it is estimated that results for the period could have been £21m higher.

Mr. Neil Mills, the chairman, says the strong pound, together with existing over-capacity in world insurance markets, a high UK inflation rate has contributed to the difficult trading conditions reflected in the results.

Earnings for the period were down £0.4m at £11.6m, after a lower tax charge of £11.2m (£13.2m) and unchanged minority of £0.1m. Earnings per 10p share slipped from 5.7p to 5.5p, but the interim dividend is kept at 2p net—last year's final was 3p.

The directors consider it misleading to include interim results of the group's insurance companies due to the nature of their business. These results

which would not be material to the group as a whole, have therefore been excluded.

Mr. Mills reports that the uncertainty of the world economic climate, in particular the buoyant pound and the soft insurance markets, continue to make it difficult to forecast revenue for the second half of 1980. However, the group is doing everything possible to safeguard its profitability by expanding the business and controlling expenses.

First-half results include over £1m of additional property costs, the majority of which will not recur in the second six months. During the six months, negotiations for the £6.8m purchase of the Gardiners Corner site, adjacent to the group's existing London headquarters, were completed. Construction has started ahead of schedule and is making good progress.

comment

Sedgwick continues to suffer from soft insurance markets and the high exchange rate of sterling. Nearly 70 per cent of the group's revenues are in foreign currencies whereas most expenses occur in the UK. However, the shares were unchanged at 120p following the report of the 8.5 per cent drop in interim pre-tax profits. Expenses are still growing at about 10 to 15

per cent which suggests that the savings from the merger with Bland Payne are coming more slowly than expected. The prospects for the remainder of the year seem uninspiring and the group could end up with pre-tax profit of £46m, slightly down from last year. If so, the shares trade at 11.2 times prospective fully taxed earnings. If the final is raised one-tenth, the prospective yield would be 6.4 per cent.

Schroders' profit increase

The directors of Schroders, the banking, finance, insurance and investment group, say that profits for the first six months of 1980 are higher than those achieved in the corresponding period of 1979.

Although they are raising the interim dividend from the equivalent of 1.5p, after allowing for the one-for-one scrip issue, to 3p net per £1 fully paid share, they say the increase is to reduce the disparity.

Last time a final equal to 7p was paid from attributable profits of £6.01m.

I.J. Dewhirst

Holdings Limited
Clothing Manufacturers
INTERIM STATEMENT

(unaudited)

	26 weeks ended July 18 1980	26 weeks ended July 20 1979	52 weeks ended January 18 1980
Sales	10,216,000	8,855,000	18,263,497
Profit before Taxation	911,000	780,000	1,667,772
Estimated Taxation	159,000	126,000	218,800
Profit after Taxation	752,000	654,000	1,448,972
Earnings per Ordinary Share	4.08p	3.52p	7.78p

Trading conditions during the half year have been difficult and I am therefore pleased to report that we have increased our sales by 15% and our profit before taxation by 17% compared with the first half of 1979. The increase in Interest Received has more than offset the reduction in Trading Profit margins. Our stock levels are closely under control and this has resulted in our cash deposits currently exceeding £2m.

The Directors have declared an Interim Dividend to be paid on the 27th November 1980 of 0.45p per share which compares with 0.375p per share last year after adjusting for the scrip issue of June 1980.

Clothing sales in general have continued to be difficult during July and August, however our sales in the second half of the financial year so far show a similar pattern of increase to the first half. We are encouraged by the Government's plans to introduce compulsory origin marking of clothing which we believe will be well supported by the public.

I expect that trading conditions will not alter significantly during the rest of the financial year with continuing pressure on margins, against which we should receive the benefit of an increasing investment income. We are tackling these conditions vigorously in close co-operation with our customer, Marks & Spencer Ltd., and we are continuing to expand our productive capacity on a very selective basis.

Alistair J. Dewhirst, Chairman.

Strong performance in North America contrasts with increasing effect of recession in United Kingdom

	Six months to 30th June 1980	1979	Year to 31.12.79
	(unaudited)		
	£m	£m	£m
Profit before taxation	44.7	42.7	91.3
Taxation	21.3	14.6	27.9
Profit after taxation	23.4	28.1	63.4
Minority interests	5.7	5.2	11.7
Profit attributable to members of the Corporation	17.7	22.9	51.7
Preference dividend	0.1	0.1	0.3
Profit attributable to ordinary shareholders	17.6	22.8	51.4
Earnings per ordinary share	11.2p	14.7p	33.1p

Dividend
An interim dividend of 4.25p per £1 ordinary share (1979 same) absorbing £6.7 million, will be paid on 5th November 1980 to shareholders of record on 1st October 1980. With the associated tax credit this dividend is equivalent, gross, to 6.07p per share.

The Bowwater Corporation Limited
Bowwater House
Knightsbridge London SW1X 7LR

BANK RETURN

	Wednesday September 10 1980	Increase (+) or Decrease (-) for week
BANKING DEPARTMENT		
Liabilities	14,565,000	— 663,026
Capital	27,158,162	— 161,498,785
Public Deposits	482,116,613	+ 54,336,567
Bankers Deposits	682,582,482	—
Reserve & other Accounts	1,158,220,287	— 127,885,444
ASSETS		
Government Securities	509,754,065	— 115,510,001
Advances & Other Assets	358,335,261	+ 116,001,708
Premises Equipment & Other Secs.	251,550,228	+ 14,621,458
Notes	28,237,568	+ 20,509,985
Gold	305,087	+ 54,352
	1,158,220,287	— 127,885,444

ISSUE DEPARTMENT

Liabilities	10,200,000,000	— 25,000,000
Notes Issued	10,171,722,352	+ 25,000,000
In Circulation	28,277,648	—
In Banking Department		
ASSETS		
Government Debt	11,015,100	+ 370,584,057
Government Securities	8,780,512,713	— 395,564,037
Other Securities	1,488,472,181	—
	10,200,000,000	— 25,000,000

M. J. H. Nightingale & Co. Limited

17/78 Lovat Lane London EC3R 8BB Telephone 01-621 1212

1978-80	Company	Price	Change	Gross	Yield	P/E
High	51	—	—	6.7	13.1	3.0
50	51	—	—	1.4	6.4	8.1
170	52	—	—	5.7	6.4	—
100	74	—	—	15.3	20.7	—
101	74	—	—	5.5	5.7	4.8
101	63	—	—	7.9	8.4	3.8
125	85	—	—	11.0	16.7	3.0
125	85	—	—	18.5	19.6	—
156	84	—	—	6.0	7.2	3.2
84	45	—	—	7.9	8.7	9.71
193	105	—	—	31.3	10.2	—
222	175	—	—	15.1	6.8	3.8
34	10	—	—	16.0	17.9	—
80	70	—	—	3.0	6.5	7.1
101	42	—	—	5.8	5.8	5.8
245	136	—	—	12.1	4.9	4.0

† Accounts not prepared under provisions of SSAP 15.

MINING NEWS

Western Platinum is to expand production

BY KENNETH MARSTON, MINING EDITOR

AN EXPANSION in production of platinum group metals, costing about £25m (£13.8m) which should raise working profits by some 50 per cent is proposed by the Laminar Group's South African Western Platinum. It is intended to tackle the Upper Chrome Group of reefs, or UG2, following what is described as a "great breakthrough" for South African technology.

Western Platinum points out that platinum mining by itself and others in South Africa has been hitherto confined to the Rustenburg area of the Transvaal. UG2, despite its known higher platinum group metal content, has not been separately exploited because of complex metallurgical problems. These problems, it is claimed, have now been solved by the company in close collaboration with the National Institute for Metallurgy.

The company's present annual output of approximately 135,000 oz of platinum group metals is to be increased by 110,000 oz. The UG2 material will be handled by the company's refinery and the additional metal production is expected to begin to reach the market in early 1982.

Taking the present levels of metal prices and costs Western Platinum at full production should make an additional working profit of around £25m. The present level is about £25m.

Mr. Sidney Newman, the company's chairman, said in Johannesburg yesterday that the extra production is not committed to any sales contract at this stage, but he pointed out that the platinum market was strong and hoped that it would remain so.

Japan's Mitsubishi has a three-year contract with Western Platinum running to late 1982 for about two-thirds of the company's present output, leaving the rest available for the spot market. Western Platinum's Mr. K. P. Wilkinson thought that Mitsubishi might want to increase its requirements.

On the subject of finance, he said this would be no problem for at least another year because of the present cash flow.

Subsequently, the company would probably borrow the additional funds required, possibly some £5m to £6m. Western Platinum's other holders are Falconbridge Nickel (25 per cent) and Superior Oil (24 per cent).

AFTON CONFIRMS ORE EXTENSION

The British Columbia copper-gold producing Afton Mines controlled by Teck raised nine-month net profits to C\$18.5m (£6m) compared with C\$14.7m in the comparable nine months last year, reports John Soganih from Toronto.

Revenue from concentrates and blister copper was up at C\$78.8m from C\$64.2m.

Mill throughput in the latest quarter averaged 9,380 tonnes a day with an average grade of 1.07 per cent copper.

Drilling confirms that the ore zone continues beneath the open cut. As a result of five holes recently drilled underground reserves have been calculated at 6.5m tonnes grading 1.55 per cent copper, 0.047 ounce gold,

of between 750 and 800 cents following the interim of 450 cents declared in June. For 1979 there was an interim of 250 cents followed by a final of 350 cents.

Sabina's new joint venture

CANADA'S Sabina Industries reports that it has tied up a joint venture and option agreement with Brunswick Mining and Smelting in regard to the Nine Mile Brook lead-zinc prospect at Bathurst, in New Brunswick. Brunswick Mining can earn a 70 per cent interest in the property by spending C\$1m (£307,000) on exploration work and making payments of C\$250,000 to Sabina by July 1984.

Previous work carried out by U.S. Steel at Nine Mile Brook identified the rich base metal zone assayed a reasonable 6.94 per cent zinc with 1.71 per cent lead and a little silver while the south zone gave lower values.

Sabina also has a 30.45 per cent interest in the rich base metal zone and Bennett lead-zinc prospect at Navan. This is being explored by South Africa's Messina Transvaal Development. The latest news is that Messina is drilling deep holes in the southern part of the property near the boundary with Tama Mines.

These are exploratory holes and not connected with the previous drilling in the northern part of the property which established 2m tonnes of ore grading 7 per cent lead and zinc. If Sabina decides not to contribute to the senior financing of this venture its stake will fall to a 14.42 per cent carried interest.

ROUND-UP

Negotiations are continuing between management and trade union officials to end the strike at the Consolidated Gold Fields group's Remson tin mine in Tasmania. About 450 workers have been on strike at the mine for more than two weeks over a pay claim. The mine—a high profit earner—has been losing production of some 100 tonnes of tin concentrate each week.

Billion International Metals, a wholly-owned subsidiary of Royal Dutch Shell, has formed a \$100m (£42m) mining investment company jointly with the state-owned Philippine National Development Company. The new company will invest in mining projects and in the expansion of existing mining companies, according to Mr. Robert Ursprung, Philippines Industry Minister.

BIDS AND DEALS

Higgs puts asset value at 190p

Higgs and Hill yesterday flatly refused demands from BICC for an independent audit as a precondition to a bid and claimed assets of 190p a share.

There was no immediate response from BICC.

When BICC unveiled its tentative L10P offer for the building contractor last week it stipulated as a "vital prerequisite" a joint audit of net tangible assets by Higgs and Hill's auditors and Coopers and Lybrand, an independent accountancy firm.

In reply Mr. Edwin Phillips, chairman of Higgs and Hill, has written to Sir Raymond Penneck, his counterpart at BICC, saying that the precondition is unreasonable and unacceptable.

His letter reveals, however, that Higgs and Hill had been prepared as early as mid July to let its auditors, Longcorris, conduct a special investigation into any "particular areas that were of concern" to BICC and to do so to standards and procedures established by your nominated accountants.

Mr. Phillips says this offer was not taken up by BICC, which simply repeated its earlier demands for a full independent audit of work in progress and net assets.

Higgs and Hill then agreed to discuss the "scope, method and timing" of the investigation BICC wanted but has now rejected it.

It would, Mr. Phillips says, be operating under far more stringent professional restraints than a normal audit and "we clearly foresee that the accountants' qualifications which would unfairly detract from the conclusion of their report."

The investigation would not be able to meet the strict timetable

which would be imposed by the Take-over Panel, and would put directors in a position of exceptional personal liability if, as BICC says, the accountants would insist on letters of representation from them.

In any case, Mr. Phillips adds, Higgs and Hill would not be able to recommend a bid of 110p from BICC.

After allowing for loan stock conversions and a recent revaluation of investment properties, Higgs and Hill's board believes that "a net asset value per share in excess of 190p can be established."

Investment properties are now valued at £7.6m or 85p per share.

Higgs and Hill, whose shares lost only 1p to 99p in the market after publication of the letter, still says it is willing to consider any unconditional bid, even though BICC's approach remains unwelcome.

BICC's advisers, Morgan Grenfell, said last night that the company was considering its position. The shares drifted down 3p to 145p.

BRADMAN REDUCES ROSEHAUGH SHARES

Mr. Godfrey Bradman, chairman of Rosehaugh, the tea company which has been transformed into a significant property trading vehicle, has reduced his family interest in the company from 19.81 per cent to 11.47 per cent. He has disposed of 405,504 shares, leaving the family interest at 614,254.

The Rosehaugh shares have been active over the past month, rising from 115p in early August to 157p in Wednesday of this week. Yesterday the shares lost 6p to close at 151p.

London Mercantile Investments has a 31.4 per cent stake in the company.

Globe holders offered Electra shares at 45p

Globe Investment Trust, the UK's largest investment trust, announced yesterday that it is reducing its stake in Electra Investment Trust from 74.44 to 26.73 per cent. Globe said it plans to keep its remaining interest as a long-term investment but would be increasing its percentage of overseas assets, having particular regard to the likely performance of foreign currencies against sterling.

Within these overall parameters Globe intends to consolidate over a period of years a part of its resources into a small number of large investments, both listed and unlisted. Electra, which concentrates on special situations, says it plans to increase its gearing and the emphasis on investment in unlisted companies.

The disposal of almost two-thirds of Globe's stake in Electra will be made through an offer for sale to existing Globe stockholders. It is expected to raise about £30.76m.

The offer for sale, meanwhile, will be preceded by a two-for-one scrip issue of Electra stock. Following this and immediately prior to the offer for sale, Globe will hold more than 100m of the 146.7m issued Electra stock. At this stage 70m of these shares will be offered for sale at 45p each.

Globe stockholders will be able to apply both for stock calculated pro-rata to their existing holdings in Globe and for stock in excess of this which will be allocated at the discretion of the Globe directors.

The amount offered will be calculated on the following basis: For every 100 ordinary Globe stock units, 39 Electra stock units; for each £100 nominal of 61 per cent convertible unsecured loan stock 45 Electra stock units; for each £100 nominal of 51 per cent convertible unsecured loan stock 34 Electra units; for each £100 nominal of 11 per cent convertible unsecured loan stock 32 Electra units.

Lex, Back Page

SELECTION TRUST

The offer by BRITISH PETROLEUM for Selection Trust has been centred in the capital. BP intends in due course to acquire compulsorily the outstanding shares.

TAIPIING SALES

Taiiping Consolidated, a Sime Darby subsidiary, has disposed of its holdings in Highlands and Lowlands and Harrison Malaysia Estates, giving it an extraordinary profit of ringgit 1.3m.

Taiiping has sold 500,000 shares in Highlands in the open market at an average price of ringgit 2.945 per share, and 51,000 shares of HME in the open market at 172.9p each.

The reason for the sale is believed to be Taiiping's desire to take a profit as it has no influence in the running of the two plantation companies. The profit from the sales would increase net asset value per share from ringgit 2.82 to 3.58.

Last month, Kampas, another Sime subsidiary, sold its 28.4m shares in Highlands to the Malaysian Government Investment Trust Permodalan Nasional, at ringgit 2.55 each.

STELLRAM SP

Stellram SA, Nyon, the carbide machine tooling company and the West Country plastic engineers Small Power Machine Company, have created a joint venture in Chippenham. The new company—Stellram SP—starts trading with a capital investment of £120,000 and a further loan stock of £40,000.

The company projects a turnover of £500,000 by August, 1981, with anticipated sales of £4m by 1984-85.

Stellram SP has been formed with the intention to manufacture the Stellram product range in a new 800 square metre factory being built in Chippenham.

SPAIN	Price	±
September 11	227	—
Banco Bilbao	270	—
Banco Central	212	—
Banco Exterior	212	—
Banco Hispania	234	—
Banco Ind. Cat.	120	—
Banco Madrid	120	—
Banco Santander	270	—
Banco Urquijo	143	—
Banco Vizcaya	248	—
Banco Zoragoza	226	—
Degapados	111	—
Espanola Zinc	70	—
Focsa	63	—
Cal. Prensados	25	—
Indicola	89	—
Iberduero	66.5	—
Petrólitos	120	—
Petróleo	80	—
Sofelisa	107	—
Union Elect.	83.5	—

Guinness Peat tops £15m after commodity boost

A SURGE in commodity profits from £2.48m to £13.16m enabled Guinness Peat Group to more than double its pre-tax surplus to £15.67m for the year ended April 30, 1980, compared with £7.78m previously. In the first six months profits had jumped from £1.85m to £16.2m.

Trends so far this year show that the group is not escaping the effects of the current recession. However, during the 1979-80 year and since, the group has expanded its activities in a number of directions, particularly in the U.S.

This expansion is going hand in hand with the strengthening of existing activities.

A final dividend of 4.25p (4p) raises the total payment from 6.25p to 7p per share. Earnings increased from 8.53p to 13.65p.

Sales, brokerage and fee income totalled £86.06m for the year, against £47.49m. Trading profits jumped from £12.99m to £22.92m, before central costs of £336,000 (£709,000) and non-trading interest charges of £6.31m (£4.51m).

UK profits moved ahead from £3.79m to £11.69m, while both western Europe and North and Central America sharply increased contributions, from £1.7m to £5.47m and from £1.68m to £5.62m respectively.

The African result, however, dropped to £305,000 (£797,000) and other territories incurred a combined loss of £171,000 to £47,000.

Tax charge for 1979-80 rose from £2.47m to £6.26m and minorities took £2.23m (£409,000). Including disclosed banking profits of £1.8m (£1.6m), after tax and transfer to contingencies, the available surplus emerged up from £6.49m to £8.96m.

The trading result was split between £500s (omitted), £100s (£2.48m) and £50s (£1.16m) (£2.48m); money broking £13,164 (£2,481); international projects and commodity processing £1,250 (£2,211); general merchandising £271 (£407); chemicals

£209 (£1,071); insurance broking £979 (£795); aircraft broking and leasing £735 (£668); financial services, investments and property £949 (£1,282); listed associates £2,712 (£2,322).

comment

Guinness Peat's trading profits from commodity broking and dealing jumped by more than five times to £13.2m—equivalent to 87 per cent of total trading profits. But there has been little growth elsewhere. The contribution from chemicals is more than two-thirds lower, while a turnaround into loss at Britannia Refining has reduced the contribution from general merchandising by a third. On the commodity broking side the group has benefited from the bull markets in sugar, rubber and silver in particular during the year, and it also seems to have been lucky in taking "positions."

But, although the outcome was well above market expectations, with the quality of earnings suspect the share price closed unchanged yesterday at 147p, producing a yield of 7 per cent and a p/e of about 10, fully-taxed and including the bank's contribution.

Mr. Clement said the milk food and transport group now had to prepare for more difficult times. "Some trimming of the family food budget may be inevitable," he added. "We believe that improvement in the national economy is unlikely within six months and may take as long as two years."

To stay competitive, he continued, "we must face the reality of reduced margins as retailers pass costs and consumers seek cheaper purchases."

In the last financial year to March 31, 1980, Unigate lifted pre-tax profits from £54.4m to £51.4m on turnover up from £1.13bn to £1.24bn. Over three-quarters of its trading profits of £54.4m came from milk and milk products.

Directors say the group's good

ALTHOUGH TURNOVER of George Spencer, the "Vedonic" knitwear manufacturer, was virtually static at £6.13m, compared with £6.23m last time, the group incurred a pre-tax loss of £22,000 for his first half to June 23, 1980, against profits of £132,000 in the same period of 1979. Tax was down from £30,000 to £23,000.

Directors say the group's good

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Milk side will hit Unigate

LOWER PROFITS from milk sales will reduce Unigate's total profitability this year, chairman Mr. John Clement told yesterday's annual meeting. This would follow the recent Government decision to allow a price rise of only 1p a pint, less than the industry had asked for.

Mr. Clement said the milk food and transport group now had to prepare for more difficult times. "Some trimming of the family food budget may be inevitable," he added. "We believe that improvement in the national economy is unlikely within six months and may take as long as two years."

To stay competitive, he continued, "we must face the reality of reduced margins as retailers pass costs and consumers seek cheaper purchases."

In the last financial year to March 31, 1980, Unigate lifted pre-tax profits from £54.4m to £51.4m on turnover up from £1.13bn to £1.24bn. Over three-quarters of its trading profits of £54.4m came from milk and milk products.

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BHP may extract coal gas

THE OIL and gas division of Australia's Broken Hill Proprietary is investigating the feasibility of extracting useable methane gas from coal before mining. The company has completed four "wells" on its Blackwater coal lease in Queensland to a depth of about 480 metres.

Laboratory tests are now under way to determine the gas content of coal samples. Next month work is expected to begin on obtaining production data prior to stimulating the wells by nitrogen foam fracturing. The total gas content of Blackwater is put at as much as 20bn to 30bn cubic metres.

The foam fracturing method is considered feasible and economic and does not cause strata damage which might endanger subsequent coal mining operations. The company added that such a process would enhance mine safety and produce pipeline quality gas with low exploration costs since the location of the coal is already known.

The extracted gas could be used for power generation in coal mines, fertiliser production and possible commercial sales in Queensland which has a gas supply shortage. Meanwhile BHP plans to drill another four test wells at its Appin colliery in the southern New South Wales coalfield.

INTERIM BOOST FROM HARMONY

South Africa's gold and uranium producing Harmony is meeting best market expectations with an interim dividend for the year to June 30 of 200 cents (110p). For the previous year Harmony paid an interim of only 85 cents followed by a final of 165 cents. The shares lost 1 to 111, in a generally lower gold share market yesterday.

Meanwhile in Paris, Mr. V. F. Blane of Randfontein Estates anticipated that his company would be declaring a sharply increased final dividend for 1980

Deregulation Bill boosts rail industry prospects

By IAN HARGREAVES IN NEW YORK

AMERICA'S large but, in the past, frequently ailing railway companies can at last see the firm prospect of gaining enough freedom to put up their prices and end decades of ineffectual profit margins, which have led in turn to poor track maintenance, closures and a spate of merger proposals.

An intensive lobbying effort by the Carter Administration in the last three weeks has been enough to put a Railway Deregulation Bill back on the rails in Congress.

Congressmen from the House and the Senate will meet next week to discuss final details of a Bill, following the passage earlier this week of a Deregulation Bill through the House.

Three weeks ago the Deregulation Bill was withdrawn from the House by its backers because opponents had succeeded in mangling its clauses on pricing freedom.

The Bill, which will eventually emerge from discussions between the two Houses will probably allow railways to charge rates up to 160 per cent of the company's non-fixed costs in the first year of the new law, rising to 175 per cent in subsequent years, without need for government approval.

President Carter, who has been a dedicated backer of deregulation in the airline, road haulage and railway industries, hailed the legislation as certain to improve services and "restore the industry's financial health."

Although many of the bigger railway companies had record profits last year, most of their earnings gains came from their non-rail activities, such as oil, coal and gas interests.

In recent years the industry's return on investment has been a paltry 2 per cent and this is blamed for the poor state of much of the network's track and

its lamentable safety record.

The Deregulation Laws will also create greater freedom for companies to abandon unprofitable lines and to speed up decisions on merger proposals.

But the Interstate Commerce Commission (ICC), which oversees the regulation of railways, warned in a policy statement this week that it would not look favourably upon merger proposals which involved large scale abandonment of service to customers.

The ICC has already approved a merger between Burlington Northern and the St. Louis-San Francisco Railway, but has still to make a decision upon proposals to link the Chessie system with the Seaboard Coastline, Norfolk and Western with the Southern Railway, Santa Fe Industries with Southern Pacific and Union Pacific with Western Pacific and Missouri Pacific.

Belgian bank to withhold dividend

By Larry Klinger in Brussels

THE DEPTH of the financial pressures encountered this year at Banque Bruxelles Lambert, Belgium's largest bank, emerged yesterday when the bank's executive council announced a series of cost cutting measures that will mean substantial pay cuts for all staff and could result in a year long freeze on additional spending. The company will also recommend that no dividend be paid for the current year.

The situation in the world's money markets is cited as the reason for the bank's current difficulties. The executive council said yesterday that "since the end of last year, a number of factors due to conditions prevailing on the international money markets and to those affecting the Belgian economic and financial situation have increased costs of deposits more rapidly than the return obtained in Belgium from the bank's assets. The margin between Belgian franc deposit and lending rates has thus been influenced during the greater part of the bank's fiscal year. This will result in a marked reduction in the bank's profits for this particular period."

The bank would not say how big the expected drop in profits for the current year, which ends on September 30, would be. Last year the bank recorded net profits of BF7 705m (\$24.7m) and paid a dividend of BF1 80 a share. If the shareholders agree to the recommendation that no dividend be paid it will be only the second year in recent history that there has been no dividend. In 1975 extraordinary foreign exchange losses led to the passing of dividend payments.

Bank personnel have agreed to an across the board reduction in salary of 5 per cent.

GERMAN CAR SALES FALL

Opel loss 'entirely possible'

By Kevin Done in Frankfurt

OPEL, the West German subsidiary of General Motors of the U.S. and one of the largest volume car manufacturers in the Federal Republic, expects its car sales to drop by more than 14 per cent this year.

Mr. Jim Waters, recently appointed vice-president of General Motors overseas operations and formerly the Opel chairman, also warned that the group could well make a loss this year. "It is entirely possible," he said. The group's sales are expected to slump by as much as 15 per cent to around DM 9.2bn (\$5.17bn). Nevertheless the company is pressing ahead with its planned investment and will be spending DM 1.5bn this year.

Last year Opel's turnover was DM 10.9bn and after-tax profits DM 213m, but it is not paying dividends to its U.S. parent. The publication of the annual report for last year had been delayed for several weeks

because of the dividend question.

The growing squeeze on Opel's finances also makes it likely that later this year it will have to borrow partly from Germany and partly from General Motors, for the first time to help fund its ambitious DM 6bn investment programme. Until now Opel's capital expenditure has been met by its own resources.

The sharpness with which the German car market has moved into decline has taken Opel by surprise, but Opel said yesterday that the bottom of the recession could have been reached.

Until now it has been forecasting a fall in general new car registrations in West Germany of around 12 per cent for 1980. Demand in July was stronger than expected, however, and sales in August were also better than forecast, said the company.

As a result Opel believes that new car registrations in West Germany could now total around 2.4m in 1980, a drop of between 8 and 15 per cent compared with 1979. "The overall market still does not look good," said Mr. John Grotzenberger, Opel's European sales director, "and there is no substantial change. But the future does look more optimistic."

Opel is in the middle of a 4-year DM 6bn investment programme concentrated on its new Kadett model and a range of 1.3 litre engines as well as on the modernisation and expansion of component and production facilities.

It has been especially hard hit in the falling German car market by the decline in demand for larger models of which it has capacity and above in which it has strong presence with models such as the Rekord, Monza, Senator and Commodore.

In the first eight months of the year sales of the Commodore have fallen by 65 per cent, sales of the Monza by 51 per cent and sales of the Senator by 55 per cent. Sales of the Rekord have also plunged by 34 per cent.

The one major bright spot for Opel has been the performance of its new small car the Kadett, sales of which are up to 223,000 in the first eight months compared with 178,950 in the corresponding period of last year, a rise of 46 per cent.

As a result of the steep drop in demand for its larger cars Opel is in the process of shedding nearly 5,000 jobs at its major Rüsselsheim plant near Frankfurt. The cost of the voluntary redundancy and early retirement programme is likely to be around DM 90m and will bring the size of the workforce down to about 60,000 by the end of the year.

Campeau seeks shares inquiry

By Our Financial Staff

CAMPEAU, the Toronto-based property company, has asked the Canadian regulatory authorities to investigate reports that unidentified allies of Royal Trustco's management had purchased Royal Trustco stock to assist in resisting Campeau's \$360m takeover bid for Trustco.

Campeau said that over 7m shares have been traded, representing about 35 per cent of the common shares of Trustco. It added that a substantial part of this trading consists of large blocks "so that obviously some very large shareholders have sold out."

Campeau commented that,

once it had made its bid, it was severely limited by the takeover rules on the part of Trustco shares it could purchase in the market. The company said everyone should be governed by the same rules.

Campeau has urged the authorities to take action so that all Royal Trustco shareholders will have an equal opportunity to decide for themselves whether to accept the offer.

Meanwhile, the Bank of Nova Scotia said in a separate statement that it had been informed that the U.S. Federal Reserve Board does not intend to take action at this time against the bank over its role in financing

Campeau's bid for Royal Trustco.

The Bank of Nova Scotia noted that on September 4 it received a telegram from the General Counsel of the Federal Reserve Board in which it was stated that the financing might constitute a violation of certain U.S. legislation.

On Wednesday, the bank was advised that in light of developments subsequent to that telegram, the legal division of the Federal Reserve "does not at this time intend to recommend to the board that it take any action as to the Bank of Nova Scotia with respect to the matters raised in that telegram."

Campbell Soup makes headway

By Terry Ryland

A FURTHER gain in sales in the final quarter of the current year is reported by Campbell Soup, the largest producer in the U.S. of canned soups and also a major force in markets for other convenience foods. Earnings for the full year have risen from \$119.8m to \$134.6m, but the board points out that all totals for 1979 are on a pro

rata basis because of the change to LIFO accounting for all domestic stocks.

Sales for the 1980 fiscal year were \$2.56bn against \$2.25bn, while share earnings of \$4.08 a share compare with \$3.59. The share earnings just exceed forecasts on Wall Street, which expects a further "moderate advance" this year.

The final quarter's trading at the New Jersey-based food producer brought a 19 per cent gain in earnings to \$30.9m or 94 cents a share, on sales 15 per cent ahead at \$619.8m. At the end of the first nine months, the group was showing a gain of 14 per cent with earnings at \$8.14 a share.

BANRO CONSOLIDATED INDUSTRIES LIMITED

Interim Results—Unaudited

Results for the half year to	30.6.80	30.6.79	31.12.79
Turnover	11,601,587	8,671,133	15,784,402
Profit before tax	601,083	552,982	1,156,646
Profit after tax	264,383	252,882	935,286
Ordinary Dividend (net)	30,808	30,808	160,737
Ordinary Dividend per share (net)	0.575p	0.575p	3p

"It would be unwise at this stage to forecast the total for the year due to the downturn in the U.K. economy and although further profits are anticipated, our Directors are of the opinion that in all the circumstances, the final result is likely to be satisfactory. Despite the prevailing economic problems affecting industry, our finances are sound and our management team is actively pursuing new diversified products which are very encouraging and in the longer term will ensure the continued growth of the Group. In my last Annual Statement I made reference to the acquisition of a controlling interest in a French company and I am now pleased to report that this company has made a good contribution to profits and our policy to expand into Europe is proving successful."

Edward Rose, Chairman and Chief Executive

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Eurocredit for Hellenic Telecommunications

By Peter Montagnon

A LONG-AWAITED mandate has been awarded by Hellenic Telecommunications to a group of international banks to arrange a \$100m, eight-year Eurocredit with a margin of 1 per cent for the first six years rising to 1 per cent thereafter.

The banks involved are Midland, which will act as agent, Svenska Handelsbanken, Toronto Dominion and Union Bank of Switzerland.

The mandate was obtained in the face of strong competition from other banks and it is somewhat surprising at first sight that the credit carries margins slightly stiffer than those on a credit arranged for Greece's Public Power Corporation earlier this summer.

This \$105m financing was also for eight years and had a spread of 1 per cent above London interbank rates through

out. Both the credits have five-year grace periods.

Fees for the Hellenic Telecommunications deal have not been disclosed, however, and it is understood that they may be structured in such a way as to bring the overall yield on the two deals closer together.

This is the first time that Hellenic Telecommunications has raised a credit on the Eurocredit market, a factor which may also have led banks to offer the slight margins premium over the Public Power issue.

Even so, the borrower has still managed to achieve margins more favourable than the highly successful \$550m, eight-year credit for the Central Bank of Greece which was launched in April. That credit, initially projected at only \$300m, bore a margin of 1 per cent through

Quiet day for bonds

By Francis Ghiles

INTERNATIONAL bond markets were exceptionally quiet yesterday. The Jewish New Year and a local holiday in Geneva combined to reduce trading activity, already low this week, to a mere trickle.

In the sterling sector, the issue for Finance for Industry was increased by £5m to £20m and priced at par to yield 13 1/2 per cent by the lead manager, S. G. Warburg. Prices of seasoned sterling issues were 1 to 1/4 easier yesterday.

In the dollar sector, the \$15m convertible for Digicon was increased to \$18m by lead manager Schroder Wagg and priced at par to yield 8.50 per

cent. This success underlines the strong demand there is for convertible issues for medium sized technology and oil-related U.S. companies.

Citicorp, meanwhile, launched a \$25m floating rate note issue for Banco de Santiago. This 5 1/2-year issue includes an interest rate set at 1 per cent above the interbank rate with a minimum of 6 1/2 per cent. The borrower will be able to redeem the notes at par on each interest date payment from September 1983.

Seasoned straight dollar bond prices gained 1/4 of a point yesterday.

The new 12 1/2 Kingdom of Sweden bond to 1985 was quoted at 99 1/8 yesterday, a shade below its issue price of 99 1/2.

In the Swiss franc market, where seasoned issues eased by 1/4 point, Handelsbank is arranging a Sfr 80m ten-year public issue for the City of Oslo. The borrower is paying a coupon of 5 1/2 per cent for the notes which will be priced at par.

In the DM sector, German dealers felt the market might be consolidating at current levels, with yield offered on prime names around 9 1/2 per cent. The World Bank, meanwhile, is believed to be arranging a DM 100m Schuldsscheine note issue through Dresdner Bank.

KHD to close Argentine plant

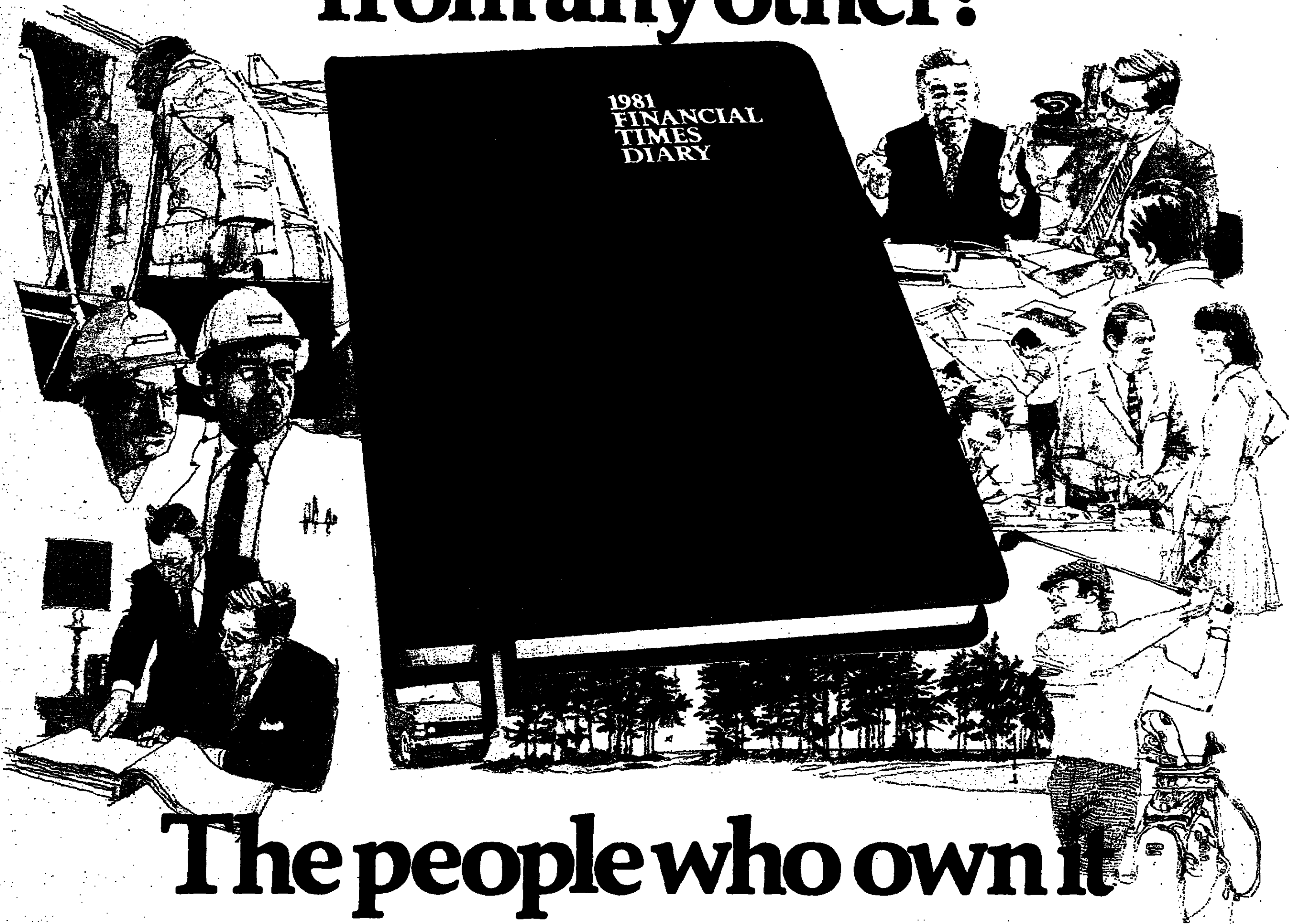
BUENOS AIRES—Kieckhefer-Humboldt-Deutz, the West German engineering group, is to close its Argentine tractor assembly plant by the end of the year. Directors of the KHD subsidiary made the decision known at a meeting with officials of the Labour Ministry and the Automobile Workers Union at the plant in suburban Haedo. Deutz Argentina, the KHD offshoot, is one of four manufacturers (the others are Deere and So. Fiat and Massey-Ferguson) in an industry increasingly depressed by lagging farm income.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

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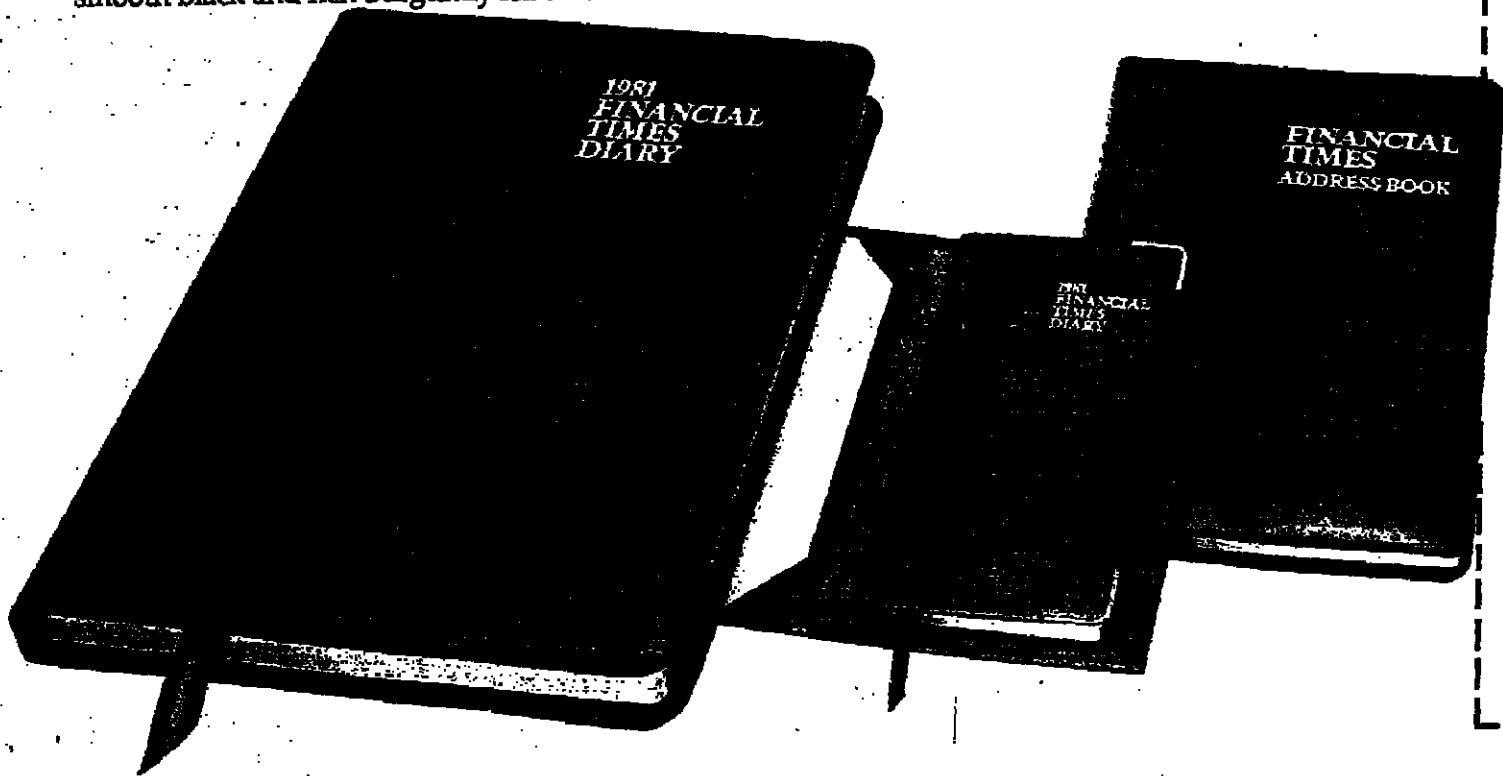
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THE PROPERTY MARKET

BY MICHAEL CASSELL

Amsterdam gears up for development spree

THE AMSTERDAM office market — one-time overseas shrine for every UK property developer, investor and estate agent claiming a drop of entrepreneurial flair in his blood — could again be facing an excess of space.

The city which readily obliged in helping foster a good few overseas property ambitions before letting many of them collapse in an unseemly heap of vacant buildings and development losses has spent the last five years getting back in shape.

Strong demand for space from Dutch and international companies, combined with a stiff shortage of fresh space in a city where nearly every building seems protected, has led to too little office accommodation and good rental growth but an acute shortage of investment properties.

For some time, development activity of any note has been largely confined to outlying districts such as Diemen, Bijlmermeer and now Sloterijk and if the prophets in the Richard Ellis Leidseplein crier are right, a lot more space is now on the way.

Suggestions that a big increase in the number of developments is around the corner may represent good news for some of the property-starved institutional investors who — like their counterparts in the UK — have been forced to look overseas for deals, but what about rents?

The space forecasts first. John Selman, who heads the Ellis operation, says that at least 5m sq ft of new office space

is likely to be added to the city's stock within the next three or four years. The figure compares with a recent average annual take-up of around 1m sq ft but a total which seems destined to be substantially lower this year. Only 400,000 sq ft was taken up in the first half of 1980, a figure likely to be repeated in the last six months of the year.

Speculative

John Selman says that about 80 per cent of the space involved in the plans will be speculative and he admits to being "a little worried" about the potential oversupply. The official line from Ellis is that since building costs keep rising (how do the Dutch manage to survive with 7 per cent inflation?) and municipal ground rents are high, the "massive addition" of fresh office accommodation will not have a weakening effect on rental levels.

Rental growth is at present trailing off but no actual fall is expected either now or when the new developments come on stream — a view which must surely be ready for revision depending on just how much oversupply actually emerges.

Among big schemes underway in and around Amsterdam is the 204,000 sq ft office block being built in the Vijzelgracht by Ariel, the property investment and development group which is half owned by Wimpey Property Holdings and which, since its formation in 1976, has spread its wings into West Germany, France and Belgium. The

scheme is on a rare City centre site (a building permit took 15 years to arrive) and is now well advanced and will be ready for letting in September, 1981.

Work has already started on the vast Holendrecht Centre, situated on the south-east border of Amsterdam, which is being hailed as the largest office development ever carried out in Holland for letting. The £55m scheme, for which Jones Lang Wootton have been appointed joint letting agents, is being carried out by Westland-Utrecht and on completion will provide about 850,000 sq ft of space in five office towers. The first two phases, comprising 270,000 sq ft contained in two of the towers will be ready for use in April, 1982.

There are also plans for another big scheme next door to the Holendrecht centre at Bijlmermeer. To be developed by Hillen and Roozen, construction on the 300,000 sq ft office complex, for which Ellis is sole letting agent, is expected to start at the end of the year and completion should coincide with the first phase of the Westland-Utrecht scheme.

Another even larger office project is also proposed for the same area while over at Riekerpolder, close to Schiphol airport, plans are laid for developments which could provide over half a million sq ft to add to the new crop of space.

The city centre area still continues to attract tenants anxious to maintain a presence in the country's financial capital, although it is virtually impossible to find more than 20,000 sq ft in single units.

Prime city rents new stand generally higher than those for some of the outlying office locations, which has not always been the case as far as Amsterdam is concerned. They now range from as high as 350 guilders for small suites down to 260-270 guilders for larger space. In outlying districts, rents stand at around 225-230 guilders.

In a market now best described as fairly firm but cautious, investment yields have not changed, despite some suggestions that they might be on the move. In what is, however, a more selective market, prime office yields stand at around 6 per cent, rising to 7 per cent for secondary space.

Ellis itself was this week using the successful conclusion of two deals to emphasise its own belief that Holland is not a property investment wilderness, even if finding suitable premises is difficult.

Offices

Acting for Pension Fund PGGM, second only in size to the Dutch civil service's own pension fund, Ellis has acquired three office buildings in Zoetermeer, close to the Hague, being developed by Galliford, a Sears Holdings subsidiary.

Pension Fund PGGM, the pension fund for employees in medical care and social security, paid about £17m for the three buildings, two of which are let to the Ministry of Housing and Planning, with one still under construction. Each of the three buildings has a lettable floor area of nearly 100,000 sq ft and,

on completion, Ellis could be looking for rents of around 200-210 guilders.

The agents say they believe the deal to be the largest investment transaction to have taken place in the Netherlands in 1980 and topped up the news with details of a £2m office purchase in Amsterdam on behalf of a major UK client, thought to be the Post Office Pension Fund. The Fund, which has spent around 65m guilders in Holland over the last three years on a broad spread of property investments, has acquired a 30,000 sq ft office block on Westende, close to the Nederlandse Bank. The property is let to the Westland-Utrecht Hypotheekbank, the largest independent mortgage bank in the Netherlands.

But while non-Dutch investors like the British Post Office fund may be happy to step in and bid for any attractive investments which come onto the market, few of them show any inclination towards involving themselves in actual development programmes. Given, too, the absence of the property companies from abroad which last time rushed in to schemes on their own behalf, the next phase of office development is going to be a largely Dutch affair.

It may be that the embarrassing monuments to the last invasion of overseas property developers, such as the infamous Hammerson-Box building, have finally been filled up, but foreign interest in the next generation of new floorspace seems likely to be confined to buying up what appears rather than in helping to create it.

Empty industrial space rises

TOTAL warehousing and factory space available to let or for sale in England and Wales has reached the highest level recorded since April 1977, according to agents King and Co.

Short-time working in industry and business closures are held largely responsible for a 30 per cent rise in available space since April, involving a combined total of just under 76m sq ft. The most significant increases in availability have been in the West Midlands, Yorkshire and Humberside.

King and Co. point out, however, that developers have actually increased output, with just over 15m sq ft of new space under construction and ready for occupation within six months against a figure of nearly 13m sq ft in April.

Atarmac Construction and the Second London Wall Group have started work on a 90,000 sq ft office scheme in the business area of Milton Keynes, adjoining the shopping centre. Almost half the development has been pre-let to the Development Corporation and the remaining space will be available on completion in early 1982 through Healey & Baker and Jones Lang Wootton. The scheme is being funded by Sun Alliance and London Insurance Group.

The National Research Development Corporation has paid £500,000 for the freehold of a site at 95-121, Newington Causeway, London, SE1, close to the Elephant and Castle. There is planning

consent for a 45,000 square foot office scheme which will be occupied by the NRDC. Anthony Lipton and Smith Moxack acted for the vendors and Hillier Parker represented the NRDC.

Royal Insurance have taken from the Highland Regional Council a 125-year lease of the site for the £12m Eastgate shopping centre in Inverness to be developed in partnership with Cruden Developments. The scheme will provide over 140,000 square feet of net retail floor space, two stores and 30 shop units. The large store has been let to Tesco. St. Quintin and Hillier Parker are joint letting agents.

The National Insurance and Guarantee Corporation, a subsidiary of the Heron Corporation, has paid over £600,000 for the freehold of a 3.5-acre industrial site adjacent to the Bow River. Heron purchased the site from the Chamberlain Group and plan nine units offering a total of 81,000 square feet of space. The development will be let to the London Borough of Newham who will sublet units. Kemsley Whiteley and Ferris acted for the vendors and George Elliott for NIGC.

Chemville Securities, a subsidiary of London Investment Trust, is to pay £142m for Petersham House, a 10-story office building at 100, Kingsway, London, SW7, an eight-story building of about 33,000 sq ft providing a mix of offices and flats. The purchase involves a £402,500 cash payment and the issue of 3.5m ordinary LIT shares. A deferred consideration of £200,000 is payable up to six months from completion, together with interest at 15 per cent. Kinross, the property is about £50,000 a year and the office space is until 1986. LIT intends to retain the freehold as an investment but will sell the flats in one course.

Scottish Life Assurance has purchased the freehold of Peel House, Northolt, Middlesex, a shop-office building with about 7,700 sq ft of space, for about £800,000. The offices are let to Tandem Computers. Jones Lang Wootton acted for Scottish Life while the vendors were represented by Anthony Lipton.

Land Securities (Management) has let Totten House, Copthall Avenue, London, EC2 to PSP, the first wholly owned Pimlico bank in London. The 7,545 sq ft building has been refurbished by the freeholders, City of London Real Property — part of Landis. The bank has taken a long lease at a figure just under the asking rent of £140,000 a year. John Stanley acted for PSP and Healey and Baker acted for Land Securities.

The Australia and New Zealand Bank's leasehold interest in its former banking premises at 15 Great Cumberland Place, London, W1, has been sold by Weatherall Green & Smith to Barday. A premium of over £400,000 was paid for the lease, fixtures and fittings. The premises have a total floor area of 5,000 sq ft and are held on an unexpired lease of 21 years at a fixed rent of £5,250 a year.

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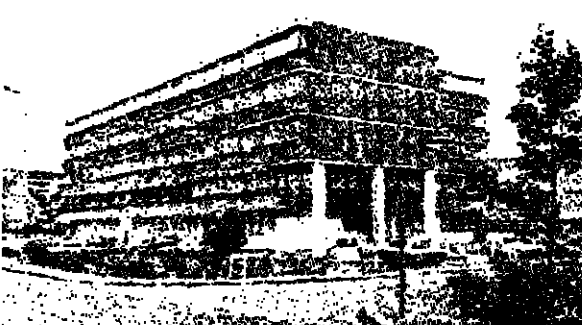
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U.S. cotton exports up by 50%

WASHINGTON — China was the leading customer for U.S. cotton during the 1979-80 season (August-July), taking 2.2m bales compared with only 600,000 bales in the previous season, the U.S. Agriculture Department said.

In a foreign agriculture circular on cotton, the USDA said total U.S. exports last season, at 8.8m bales, were 50 per cent above shipments in the 1978-79 season.

Japan, the largest market in the 1978-79 season, took 1.5m bales in the 1979-80 season and South Korea 1.4m. Together, these three leading markets absorbed 58 per cent of total U.S. cotton exports.

The USDA said the export outlook for the current year is promising, but at a level significantly below last season.

Earlier this week world cotton production in 1980-81, was estimated at 65m bales (of 475 lbs), nearly 1m bales less than last season's record.

The International Cotton Advisory Committee said the outlook for the world cotton crop has deteriorated sharply from earlier optimistic projections.

It said world cotton acreage will increase by 2 per cent from last year, reaching 81.8m acres, but average yields will decline to around 380 lbs per acre from the record of 393 lbs in 1979-80.

U.S. cotton production will decline sharply as a result of extremely high temperatures and dry weather this summer in several key growing regions, the committee warned.

Lower crops are also expected for Iran, Guatemala and El Salvador, but higher cotton production is anticipated for the Soviet Union, China and Nicaragua.

World cotton carryover stocks on August 1 reached about 22m bales, unchanged from a year earlier.

Reuter

French growers back continued apple curbs

BY JOHN EDWARDS IN TOULOUSE

FRENCH APPLE GROWERS have voted in favour of extending their voluntary restrictions on apple exports to Britain for a further month—until the end of October—because of concern over the market situation in the UK.

However, M. Charles Calleja, president of the apple producers' organisation Afoceal, said the self-imposed ban had to be endorsed by exporters who were under pressure from UK importers not to restrict sales.

Following the breakdown of talks with the National Farmers

Union, the French producers last month agreed unilaterally to restrict their exports to Britain by banning shipments of Class 2 apples and 28 lb jumble packs, until September 30, but a deterioration in the UK apple market has persuaded them that further extension to October 31, and possibly longer, is justified.

Latest market reports issued through the French Ministry of Agriculture yesterday summed up the situation in two bleak words "tres morose". The virulent anti-French campaign is affecting sales and driving down

market prices, it noted.

M. Calleja said he was shocked and saddened by claims in Britain that the apple market had been upset by irresponsible action from the French. He claimed it was the NFU that had broken off talks seeking a regulation of supplies. However, he repeated that it was not possible for France to limit exports overall. He said that a bilateral agreement with Britain would be contrary to the Treaty of Rome. Already other European countries had complained about discussions between the two countries.

Demand boost for sugar

BY OUR COMMODITIES STAFF

THE RISE in world sugar prices continued yesterday with the London futures market gaining £20.25 to £365.5 a tonne, its highest level for several weeks. This took the rise in the past week to about £36 a tonne.

Dealers attributed the continued advance to renewed consumer interest. They said Venezuela was reported to have bought 60,000 tonnes to 100,000 tonnes of raws while China was in the market for around 100,000 tonnes. There were also reports that Poland required 40,000 tonnes to make up a production shortfall.

Meanwhile Sugar statistician F. O. Licht said in his latest World Sugar Survey Report that about 80 per cent of the crop was still as good as it had ever been for the time of year, the official said. The remaining 20

per cent, which was hit by the drought in May, was still catching up, but could not be expected to recover fully.

He said it was too early to forecast total production, but some indication should be available after two or three weeks of processing.

Turning to the 1981-82 crop the official said the corporation's proposed sugar contract with growers had been referred to the Minister of Agriculture, following the breakdown of talks with the National Farmers Union.

The NFU's sugar beet committee said the BSC's offer would give growers only slightly more than in the current crop year, but less than in 1979, in spite of the impact of inflation on growers' costs.

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Tin pact extension likely

KUALA LUMPUR — It is likely the fifth International Tin Agreement (ITA), due to expire in mid-1981, will have to be extended by one year due to the delays in negotiating the sixth ITA. Malaysian Primary Industries Minister Paul Leong said here.

A reconvened negotiating conference is expected to be held in Geneva in early December to settle the two main outstanding issues, the buffer stock size and export controls, to be followed by a further conference on technical details early next year.

An extension of the fifth ITA is likely in view of the time needed by member countries to ratify a sixth agreement after negotiations end.

The first negotiating conference in Geneva last May broke down because tin producers and consumers failed to agree on export controls and the buffer stock size.

Mr. Leong, who after his recent U.S. trip said he had fruitful discussions with U.S. tin industry and tin industry officials, reiterated that the U.S. had dropped its objections to export controls, but a compromise between the U.S. and producer countries on the size of the buffer stock will still have to be worked out.

Producers attributed the breakdown of the Geneva talks largely to the then U.S. insistence on the deletion of export controls, an item producers said they regard as non-negotiable.

Although the U.S. no longer insists on deleting export controls, the U.S. and producers on the circumstances under which export controls would operate, Mr. Leong said.

The producer view is that export controls should be activated when the cash equivalent of half the buffer stock has been spent on defending the floor price, while the U.S. believes export controls should only become effective when the stock has been exhausted.

Mr. Leong repeated the producer view that the buffer stock size should be in the 30,000 tonne to 40,000 tonne range, not too large to depress the market and prolong depressed prices.

He said the U.S. Administration is now a 60,000 tonne buffer stock, still too large to his view, against its earlier 70,000 tonne proposal.

Reuter

SHEEPMEAT

EEC regime may prove expensive

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THIS HAS been one of the best years for fattening lambs that I can remember. By the end of August I had sold 80 per cent of my lambs and have only replacement stock and some 200 stragglers left. This happy result has been due to the flush of grass which continued right through July and August—usually a drought period—and, it must be added, a rigorous programme of medication to prevent a build-up of the nematodes—worms to the layman—which normally thrive in these conditions.

Most other UK farmers have had the same experience and this is illustrated by a comparison of the slaughter figures from January to July for 1979 and 1980. Last year 1,865m sheep and lambs were slaughtered. This year the number is 1.1m higher at 2,965m. This is partly due to a more favourable lambing but the greatest benefit has come from the season.

Prices have reacted in kind. The average market price for July 1979 was 149.1 pence a kilo but for July 1980 it was 135 pence per kilo. Since July it has fallen rapidly reaching a probable nadir in the 4th week of August of 103.7 pence per kilo.

No deficiency payment was being paid in July, 1979, as the price was well above the standard price of 136p. In July, 1980, the deficiency payment averaged 15.1p and in the August week mentioned amounted to 25p or between 26 and 210 pence per lamb sold. During August it is probable that the cost to the Treasury of deficiency payment averaged about £2m a week, and it will continue at a high figure for some time to come. The standard price for lambs on which the deficiency payment is calculated varies throughout the year being at its highest in the Spring.

For the present the standard price for 160.7p a kilo and this should last until the end of October after which there is a steady increase until it peaks at 172p per kilo at the end of March 1981. These standard prices are supported by the

British Government and are 11 per cent higher than they were for the previous 12 months.

But on October 1 the new EEC regime is confidently expected to come into being, at least by Mr. Peter Walker, the British Agriculture Minister. British farmers are more sceptical, hence the heavy marketings.

The regime would have the effect of raising the standard price by an immediate 10 per cent to 164p per kilo then rise eventually to 189p per kilo in March 1981, as compared with

present level of 20 per cent. But Australia, some east European countries, and others have not yet agreed.

The French too are having some second thoughts mainly because their producers are dissatisfied at the intervention levels they have been offered. Intervention will be the method of support in the rest of the Community.

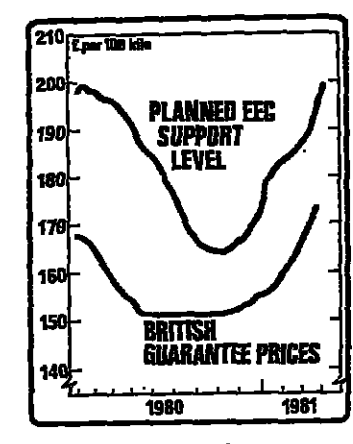
French farmers fear that British exporters will be able to flood the EEC market with lambs which have earned a deficiency payment. To counter this the sheepmeat exports would suffer a drawback equal to the deficiency payment. This is complicated. Not all sheep are exported in the week in which they earn the deficiency payment.

New Zealand and other interests are worried that French markets, say the Middle East, will be flooded with frozen lambs out of intervention. It is also feared that UK lamb could become competitive with NZ lambs in the same markets, thanks to the deficiency payments.

Officially there is no guidance as to the French government's attitude, but the best information I have been able to gain from French sources in the past few days can be summarised as follows:

October 1 is unlikely as a starting date for applying the new regime. The earliest would be January 1 when marketings are at their lowest. French farmers would now view a deficiency payment system much more favourably and that the alteration of the scheme to fit this would take a long time.

The French Government is unlikely to do anything that would upset farmers before the elections, hence a postponement to January when the change would have the least effect. But means a longer term delay. The reason is that the French are developing a much harder line all round on the advantages they draw from the CAP. In particular there is a growing awareness of its cost to France. And the new sheep regime could be very costly.



the present British maximum of 172p. The essential difference here is that once the regime is in force it will be funded by FEAGA, the EEC farm fund, and not by the UK Government.

An interesting point is that under the new scheme the lowest point of the guarantee will last for just one week in October, while under the present arrangements it lasts from July to early November, the period of the heaviest marketings in the UK. This will be a big improvement for British farmers. (See graph.)

However, the scheduled starting date of October 1 is by no means a certainty. Ostensibly the reason is that the importing countries have not yet agreed on arrangements for controlling their imports into the Community. The main supplier, New Zealand, is believed to be ready to restrict imports in return for a halving of the

Increase in pepper exports

KUALA LUMPUR — Export of pepper from Sarawak state, the world's biggest producer and exporter of the commodity, is expected in 1980 to be 5 per cent higher than last year to reach a new record of 35,000 tonnes, the pepper marketing board has said.

Japan, the U.S., West Germany, Britain and Singapore are main importers of Sarawak pepper.

Use more cocoa, consumers urged

BY OUR COMMODITIES STAFF

COCOA CONSUMING countries should increase consumption to absorb surplus world production, Mr. Kweisi Agyeman, executive director of the International Cocoa Organisation (ICCO), said in Antwerp yesterday.

Speaking at a dinner to celebrate the 50th anniversary of the Office International du

Cacao et du Chocolate, the ICOC chief complained that the concerted effort had been made to prepare the market for the increased production that was now coming on stream.

Increased consumption could make cocoa prices less volatile, he said. It would help to ensure that small increases in cocoa production did not lead

to sharp price declines which caused producers to question the advisability of continuing to expand production.

But the cocoa producers said they should reduce their concentration on traditional markets. They must set their sights further afield, discovering new outlets for cocoa consumption, he declared.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Gained ground on the London Metal Exchange following the Philadelphia metals conference. Demand at 2800 forward metal fell away to 2884 in the Ring, reflecting the firmness of sterling. A flurry of hedge buying in the second Ring prompted a recovery to around 2880 but renewed selling in the early afternoon saw three months back down to 2885. In the afternoon Rings average of the 70 per cent feature from Philadelphia Dodge encouraged a wave of buying which pushed forward metal over 2900 prior to a close on the late Kerb of 2900.5. Turnover: 22,575 tonnes.

COOPER—Official + or - p.m. + or -
a.m. (Official) (Unofficial)
3 months 2885.5 +1.5 2887.0 -2
Settlement 2886 +1.5 2887.5 -2
Cash 2885.5 +1.5 2887.0 -2
3 months 2885.5 +1.5 2887.0 -2
Settlement 2886 +1.5 2887.5 -2
U.S. Prod. 2885.5 +1.5 2887.0 -2

Amalgamated Metal-Trading reported that in the morning cash wirebars traded at 2885.5, 64.5, 65.5, 66.5, 67.5, 68.5, 69.5, 70.5, 71.5, 72.5, 73.5, 74.5, 75.5, 76.5, 77.5, 78.5, 79.5, 80.5, 81.5, 82.5, 83.5, 84.5, 85.5, 86.5, 87.5, 88.5, 89.5, 90.5, 91.5, 92.5, 93.5, 94.5, 95.5, 96.5, 97.5, 98.5, 99.5, 100.5, 101.5, 102.5, 103.5, 104.5, 105.5, 106.5, 107.5, 108.5, 109.5, 110.5, 111.5, 112.5, 113.5, 114.5, 115.5, 116.5, 117.5, 118.5, 119.5, 120.5, 121.5, 122.5, 123.5, 124.5, 125.5, 126.5, 127.5, 128.5, 129.5, 130.5, 131.5, 132.5, 133.5, 134.5, 135.5, 136.5, 137.5, 138.5, 139.5, 140.5, 141.5, 142.5, 143.5, 144.5, 145.5, 146.5, 147.5, 148.5, 149.5, 150.5, 151.5, 152.5, 153.5, 154.5, 155.5, 156.5, 157.5, 158.5, 159.5, 160.5, 161.5, 162.5, 163.5, 164.5, 165.5, 166.5, 167.5, 168.5, 169.5, 170.5, 171.5, 172.5, 173.5, 174.5, 175.5, 176.5, 177.5, 178.5, 179.5, 180.5, 181.5, 182.5, 183.5, 184.5, 185.5, 186.5, 187.5, 188.5, 189.5, 190.5, 191.5, 192.5, 193.5, 194.5, 195.5, 196.5, 197.5, 198.5, 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342.5, 343.5, 344.5, 345.5, 346.5, 347.5, 348.5, 349.5, 350.5, 351.5, 352.5, 353.5, 354.5, 355.5, 356.5, 357.5, 358.5, 359.5, 360.5, 361.5, 362.5, 363.5, 364.5, 365.5, 366.5, 367.5, 368.5, 369.5, 370.5, 371.5, 372.5, 373.5, 374.5, 375.5, 376.5, 377.5, 378.5, 379.5, 380.5, 381.5, 382.5, 383.5, 384.5, 385.5, 386.5, 387.5, 388.5, 389.5, 390.5, 391.5, 392.5, 393.5, 394.5, 395.5, 396.5, 397.5, 398.5, 399.5, 400.5, 401.5, 402.5, 403.5, 404.5, 405.5, 406.5, 407.5, 408.5, 409.5, 410.5, 411.5, 412.5, 413.5, 414.5, 415.5, 416.5, 417.5, 418.5, 419.5, 420.5, 421.5, 422.5, 423.5, 424.5, 425.5, 426.5, 427.5, 428.5, 429.5, 430.5, 431.5, 432.5, 433.5, 434.5, 435.5, 436.5, 437.5, 438.5, 439.5, 440.5, 441.5, 442.5, 443.5, 444.5, 445.5, 446.5, 447.5, 448.5, 449.5, 450.5, 451.5, 452.5, 453.5, 454.5, 455.5, 456.5, 457.5, 458.5, 459.5, 460.5, 461.5, 462.5, 463.5, 464.5, 465.5, 466.5, 467.5, 468.5, 469.5, 470.5, 471.5, 472.5, 473.5, 474.5, 475.5, 476.5, 477.5, 478.5, 479.5, 480.5, 481.5, 482.5, 483.5, 484.5, 485.5, 486.5, 487.5, 488.5, 489.5, 490.5, 491.5, 492.5, 493.5, 494.5, 495.5, 496.5, 497.5, 498.5, 499.5, 500.5, 501.5, 502.5, 503.5, 504.5, 505.5, 506.5, 507.5, 508.5, 509.5, 510.5, 511.5, 512.5, 513.5, 514.5, 515.5, 516.5, 517.5, 518.5, 519.5, 520.5, 521.5, 522.5, 523.5, 524.5, 525.5, 526.5, 527.5, 528.5, 529.5, 530.5, 531.5, 532.5, 533.5, 534.5, 535.5, 536.5, 537.5, 538.5, 539.5, 540.5, 541.5, 542.5, 543.5, 544.5, 545.5, 546.5, 547.5, 548.5, 549.5, 550.5, 551.5, 552.5, 553.5, 554.5, 555.5, 556.5, 557.5, 558.5, 559.5, 560.5, 561.5, 562.5, 563.5, 564.5, 565.5, 566.5, 567.5, 568.5, 569.5, 570.5, 571.5, 572.5, 573.5, 574.5, 575.5, 576.5, 577.5, 578.5, 579.5, 580.5, 581.5, 582.5, 583.5, 584.5, 585.5, 586.5, 587.5, 588.5, 589.5, 590.5, 591.5, 592.5, 593.5, 594.5, 595.5, 596.5, 597.5, 598.5, 599.5, 600.5, 601.5, 602.5, 603.5, 604.5, 605.5, 606.5, 607.5, 608.5, 609.5, 610.5, 611.5, 612.5, 613.5, 614.5, 615.5, 616.5, 617.5, 618.5, 619.5, 620.5, 621.5, 622.5, 623.5, 624.5, 625.5, 626.5, 627.5, 628.5, 629.5, 630.5, 631.5, 632.5, 633.5, 634.5, 635.5, 636.5, 637.5, 638.5, 639.5, 640.5, 641.5, 642.5, 643.5, 644.5, 645.5, 646.5, 647.5, 648.5, 649.5, 650.5, 651.5, 652.5, 653.5, 654.5, 655.5, 656.5, 657.5, 658.5, 659.5, 660.5, 661.5, 662.5, 663.5, 664.5, 665.5, 666.5, 667.5, 668.5, 669.5, 670.5, 671.5, 672.5, 673.5, 674.5, 675.5, 676.5, 677.5, 678.5, 679.5, 680.5, 681.5, 682.5, 683.5, 684.5, 685.5, 686.5, 687.5, 688.5, 689.5, 690.5, 691.5, 692.5, 693.5, 694.5, 695.5, 696.5, 697.5, 698.5, 699.5, 700.5, 701.5, 702.5, 703.5, 704.5, 705.5, 706.5, 707.5, 708.5, 709.5, 710.5, 711.5, 712.5, 713.5, 714.5, 715.5, 716.5, 717.5, 718.5, 719.5, 720.5, 721.5, 722.5, 723.5, 724.5, 725.5, 726.5, 727.5, 728.5, 729.5, 730.5, 731.5, 732.5, 733.5, 734.5, 735.5, 736.5, 737.5, 738.5, 739.5, 740.5, 741.5, 742.5, 743.5, 744.5, 745.5, 746.5, 747.5, 748.5, 749.5, 750.5, 751.5, 752.5, 753.5, 754.5, 755.5, 756.5, 757.5, 758.5, 759.5, 760.5, 761.5, 762.5, 763.5, 764.5, 765.5, 766.5, 767.5, 768.5, 769.5, 770.5, 771.5, 772.5, 773.5, 774.5, 775.5, 776.5, 777.5, 778.5, 779.5, 780.5, 781.5, 782.5, 783.5, 784.5, 785.5, 786.5, 787.5, 788.5, 789.5, 790.5, 791.5, 792.5, 793.5, 794.5, 795.5, 796.5, 797.5, 798.5, 799.5, 800.5, 801.5, 802.5, 803.5, 804.5, 805.5, 806.5, 807.5, 808.5, 809.5, 810.5, 811.5, 812.5, 813.5, 814.5, 815.5, 816.5, 817.5, 818.5, 819.5, 820.5, 821.5, 822.5, 823.5, 824.5, 825.5, 826.5, 827.5, 828.5, 829.5, 830.5, 831.5, 832.5, 833.5, 834.5, 835.5, 836.5, 837.5, 838.5, 839.5, 840.5, 841.5, 842.5, 843.5, 844.5, 845.5, 846.5, 847.5, 848.5, 849.5, 850.5, 851.5, 852.5, 853.5, 854.5, 855.5, 856.5, 857.5, 858.5, 859.5, 860.5, 861.5, 862.5, 863.5, 864.5, 865.5, 866.5, 86

LONDON STOCK EXCHANGE

Gilts encounter profit-taking and forced selling but leading equities resist to close slightly higher

Account Dealing Dates

*First Declared Last Account Dealings Date
Sept. 11 Sept. 11 Sept. 12 Sept. 22
Sept. 15 Sept. 23 Sept. 26 Oct. 6
Sept. 29 Oct. 9 Oct. 10 Oct. 20

Gilt-edged securities were already vulnerable to selling after the recent upsurge, and the Prime Minister's oversight admission that the Government's economic strategy faced problems aggravated the downturn. Mrs. Thatcher's repeated determination to stick to the present tight monetary policy influenced a recovery in sterling yesterday, but failed to rekindle the stock market optimism created only last Tuesday by Treasury expectations about improved money supply trends and the year-end and Gilts settled at the day's lowest.

Anticipating sales from over-bought investors, Gilt dealers opened quotations lower and, apart from a reasonable amount of profit-taking, the entire business largely represented forced selling by weak holders. An attempted rally in the late afternoon failed to hold and just before the official close the tone eased again to leave longer-dated stocks down a point. Treasury 12½ per cent fell that much to 96. Short-dated issues performed similarly and closed a maximum of ½ lower with some of the selling emanating from Continental sources. The market appeared to be resigned to new Government funding today, possibly in the shape of another medium-dated stock.

Leading shares, for once, resisted the trend set by Gilts. The approaching end of the two trading sessions was a deterrent to business and leading industrials moved narrowly throughout the session. Dealers considered this a highly commendable performance after the recent advance and new-time buyers began to show interest in the late trade. The result was that the FT 30 share index closed a net 1.2 up at 503.0 after having shown a minor fall at all of the day's previous calculations. Final movements in the leaders rarely exceeded three points, but Dunlop stood out with a rise of 6 to 80p following a reported revival of overseas buying.

Prudential easier
Demand for Traded options continued to improve, the number of contracts rising to 1,563, compared with 1,205 on Wednesday. Last week's daily average of 997. A particularly active business was transacted in

BP, which attracted 521 deals, while Lloyds recorded 300. Prudential lost an early small improvement to close 5 down at 242½ following disappointment with the interim statement. Other life issues reacted in sympathy with Equity and Law 2½p, and Legal and General 2½p, down 4 pence. Lloyds Brokers were featured by Hogg Robinson which attracted a keen demand and closed 7 to the good at 125p. Standard Life, however, was Sedgwick were unmoved at 120p following the interim results. With the exception of Eagle Star, a penny better at 257p ahead of next Wednesday's interim results, Composites finished lower, 2 easier at 145p. Particularly firm of late in sympathy with the rising gilt market, Discount Houses turned easier yesterday with sentiment not helped by the gloomy interim statement from Allan Harvey and Ross, 15 lower at 395p. Cater Ryder relinquished 10 to 37p and Alexanders shed 5 to 265p. In merchant banks, Guinness Peat moved between extremes of 145p and 143p before finishing a net 2 easier at 145p after the results. Awaiting the interim figures, Schroders put on 8 to 320p, while improvements of 8 and 10 respectively were seen in Arbuthnot Latham, 240p, and Brown Shipley, 400p. Elsewhere, Standard Commercial continued to reflect the good interim results with a fresh rise of 10 to 615p but UDT came off at 44p, down 3.

Cornell rise afresh
Lack of investment incentive again precluded any real demand for Breweries and kindred issues. Allied, which announced draft beer price rises on Wednesday, eased a fraction to 85p. Amalgamated Distilled Products met profit-taking and gave up 2 to 44p, and Luis Gordon shed 3 to 43p. Higgs and Hill reacted to 90p before closing a penny down on balance after following the company's rejection of the conditional bid from BICC. Elsewhere in the Building sector, Newarthill firmed 10 more to 330p, while satisfactory preliminary results left Robert M. Douglas and Co. 2½p, 110p (Connolly) met buyers and put on a similar amount to 113p, while fresh support lifted RMC 3 more to 185p. On the other hand, Benlox at 37p, gave up 5 of the previous day's gain of 9 pence following news of the discussions which may lead to a substantial interest being taken by a third party in the company.

Chemicals trended lower, ICI closing 2 cheaper at 370p, and Fisons 5 off at 255p. Leigh interests, a good market of late, fell 7 to 185p, while speculative interest faded in Allied Colloids, 5 down at 117p.

A shade easier in the early business, Store leaders firmed towards the close and most finished around the overnight positions. Secondary counters were barely tested, although further reflection of Mr. Asif Nadir's interest in the company prompted an active business in Cornhill Dresses, 12 up at 88p. Polly Peck, which Mr. Nadir also controls, eased a couple of pence

Following the chairman's gloomy statement on prospects, Wellman Engineering also came on offer and gave up 5½ to 69p, but demand in an extremely narrow market left M.L. Holdings 20 up at 370p. Westland countered further support and put on 2 more to 135p, while other bright spots included United Engineering, 5 to the good at 142p, and Laird, 2 better at 113p.

The chairman's warning of reduced profits from milk sales unsettled Unigate 7 lower at 106p. Other dairy concerns trended lower in sympathy. Northern dipped 7 to 146p, while Grand Metropolitan, shed a

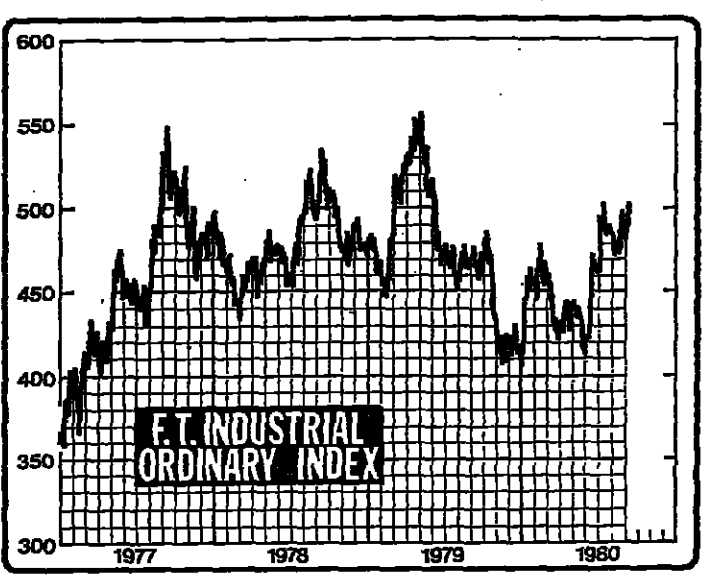
couple of pence to 156p. Coral, currently in receipt of an offer from Grand Met, eased 3 to 91p. United Biscuits shed 2 to 88p following the chairman's cautious comments which accompanied the same-day interim earnings. The reduced interim loss failed to inspire Taverner Rutledge, 4 off at 20p, while Nurdin and Peacock, at 172p, lost 2 of the previous day's rise of 7 which followed the interim figures. Food majors displayed an irregular appearance, Cadbury Schweppes firmed in some of the recent high gains in secondary issues, Kede reacting 7 to 319p and United Scientific a similar amount to 335p. Electrocomponents gave up 10 to 725p and Unilever 2 to 244p. Elsewhere, Clark Mackintosh, 17p all eased 2, the last-mentioned announces interim results next Thursday.

T and N dip and rally
Although not entirely unexpected, Turner and Newall's decision to cut the interim dividend by a third prompted dealers to mark the shares down to 97p, but consideration of the accompanying half-year profits,

above worst estimates, left a close of 105p, down only 2 on balance: market sources also suggest that Barlow Rand remains a possible suitor. Other miscellaneous industrial leaders traded quietly and closed mixed. Still reflecting the poor interim figures, Reckitt and Coleman relinquished a couple of pence more to 188p. Pilkington shed 4 to 243p, but BOC hardened 2 to 95p as did Beecham, to 155p. Elsewhere, revived rights-issue rumours and Bepworth Ceramics lost 5 to 101p on the interim profits setback. Comment on the proposed 55.5m rights-issue took a further 9 from British Vita, at 123p, while Magnolia Group softened 2 to 74p on the reduced first-half earnings. Chubb cheapened 2 to 95p on the company's decision to stop manufacturing cash registers and Thomas Tilling eased 2 more to 158p on further consideration of the disappointing interim results. By way of contrast, Harward, 135p, and J. Hewitt, 39p, rose 8 and 7 respectively on trading stories, while Bridon touched 71p before closing a penny better at 69p following details of the return to profitability in the first-half year.

Fresh hopes of a bid from far-eastern sources lifted Dunlop 6 to 80p. Other Motor Components, however, trended to lower levels, Dwyer easing 3 to 244p and Flight Refuelling 3 to 274p, the latter on profit-taking. Unmanned Minimum Lending Rate decision made little impression on Properties which displayed no set trend in thin trading. Big hopes continued to bolster Rush and Tompkins, 3 better at 277p, while M. P. Kent gained 5 to 129p, the latter's results are due next month. Among Hong Kong issues, Asia Land stood out at 80p, up 8, while Hong Kong and Kowloon Wharf ended 10 higher at 191p. The leaders softened on lack of fresh support, Land Securities easing 2 to 381 as did MEPC, to 251p.

Oil leaders quiet
Trading in the Oil leaders was quiet and prices rarely strayed far from overnight levels. Among the speculative exploration issues, Aran rallied 14 to 440p, but Double Eagle gave up 40 to 600p and Warrior 20 to 370p, while City closed 10p cheaper at 520p. KCA closed a penny firmer at 101p following the interim figures. Truist made a mixed showing, Globe eased 5 to 141p following the proposal to reduce its hold-



ing in Electra, down 4 at 142p, by way of an offer for sale. New Thormorton Capital, 188p, and Dualvest Capital, 352p, eased 6 and 4 respectively, by Wemyss firmed 5 to 335p and Scottish Cities hardened 3 to 225p. Among Financials, Akroyd and Smithers were good at 355p, up 19.

In Shippings, P & O Deferred rallied 3 to 125p after the previous day's sharp setback on the interim results. In Textiles, further consideration of the lower first-half profits clipped 6 more from Montfort (Knitting Mills), 66p, but Young, 7p, recovered a penny of the loss of 2 which followed the disappointing interim statement. Calsonic option business helped Bond Street Fabrics, 2 better at 28p, while support was also noted for Harold Ingram, 3 firmer at 21p. Allied added 2 more to 106p, while Dawson International picked up a similar amount at 15p, but George Spencer eased that much to 20p on the interim deficit, while Tern-Consultants dropped 5 to 23p.

Golds turn easier
The recent boom in South African Gold shares came to a halt as a bout of profit-taking, a marginal decline in the bullion price and general lack of fresh buying interest combined to lower prices sharply lower. The lack of interest reflected the absence of many dealers owing to the Jewish holiday. The market fell away from the outset and continued to drift lower throughout the day before steadying in the afternoon. Consequently, the Gold Mines index gave up 13.1 to 448.5—its first decline for eight trading days.

Among the heavyweights, "Amgold" were particularly weak and dropped 11 to 247p, while falls of about a point were seen in Western Deep, 231p, President Steyn, 231p, and Western Holdings, 231p. Harmony lost 2 to 211p after the dividend announcement. In the medium and lower-priced issues, Zandpan gave up 39 to 622p and Grootevlei 25 to 550p.

South African Financials were marked down in line with Golds. Gencor dipped 25 to 925p, Anglo American Corporation 15 to 745p and De Beers 12 to 478p. London-based Financials staged a late rally after losing ground early on. Banks put on 10 to 15p in response to vague hints of a possible Gold Fields put on 5 to 875p and Charter hardened 3 to 3 years high of 250p.

FINANCIAL TIMES STOCK INDICES

	Sept. 11	Sept. 10	Sept. 9	Sept. 8	Sept. 7	Sept. 6	Year ago
Government Secs.	70.78	71.06	71.04	69.65	69.44	66.93	72.78
Fixed Interest	71.86	71.98	70.83	70.57	70.50	70.16	75.14
Industrial Ord.	503.0	501.8	492.0	494.4	490.8	467.6	467.6
Gold Mines	448.8	461.9	454.5	447.5	448.0	410.9	194.8
Ord. Div. Yield	7.30	7.30	7.26	7.45	7.41	7.47	6.98
Earnings, Yld. % (Full)	17.23	17.25	17.18	17.59	17.54	17.37	18.10
P/E Ratio (net) (C)	7.07	7.05	7.08	6.90	6.94	7.08	6.77
Total Bargains	22,478	23,748	21,761	20,388	18,731	18,787	14,467
Equity turnover sm.	160.87	169.88	160.48	151.78	144.07	144.67	87.87
Equity bargains total	21,278	19,794	18,108	16,088	15,008	11,431	

10 am 501.3 11 am 501.4 1 pm 501.3 2 pm 500.8 3 pm 501.3

Labels: Index 1980-81, 1979-80, 1978-79, 1977-78, 1976-77, 1975-76, 1974-75, 1973-74, 1972-73, 1971-72, 1970-71, 1969-70, 1968-69, 1967-68, 1966-67, 1965-66, 1964-65, 1963-64, 1962-63, 1961-62, 1960-61, 1959-60, 1958-59, 1957-58, 1956-57, 1955-56, 1954-55, 1953-54, 1952-53, 1951-52, 1950-51, 1949-50, 1948-49, 1947-48, 1946-47, 1945-46, 1944-45, 1943-44, 1942-43, 1941-42, 1940-41, 1939-40, 1938-39, 1937-38, 1936-37, 1935-36, 1934-35, 1933-34, 1932-33, 1931-32, 1930-31, 1929-30, 1928-29, 1927-28, 1926-27, 1925-26, 1924-25, 1923-24, 1922-23, 1921-22, 1920-21, 1919-20, 1918-19, 1917-18, 1916-17, 1915-16, 1914-15, 1913-14, 1912-13, 1911-12, 1910-11, 1909-10, 1908-09, 1907-08, 1906-07, 1905-06, 1904-05, 1903-04, 1902-03, 1901-02, 1900-01, 1899-00, 1898-99, 1897-98, 1896-97, 1895-96, 1894-95, 1893-94, 1892-93, 1891-92, 1890-91, 1889-90, 1888-89, 1887-88, 1886-87, 1885-86, 1884-85, 1883-84, 1882-83, 1881-82, 1880-81, 1879-80, 1878-79, 1877-78, 1876-77, 1875-76, 1874-75, 1873-74, 1872-73, 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OFFSHORE & OVERSEAS FUNDS

Abbey Unit Tst. Mngers. (a)
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INSURANCE PROPERTY BONDS

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SURVEYORS VALUERS AND AUCTIONEERS



01-629 9292

FT SHARE INFORMATION SERVICE

LOANS

Public Board and Ind.

Financial

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FF130c 1983

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BANKS AND HIRE PURCHASE

BUILDING INDUSTRY—Contd.

ELECTRICALS—Continued

FOREIGN BONDS & RAILS

Financial

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FF130c 1982

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BEERS, WINES AND SPIRITS

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INDUSTRIALS—Continued

[illegible]**INSURANCE—Continued**[illegible]**PROPERTY—Continued**[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

ANCE, LAND—Continued

[illegible]

ully integrated banking service

DAIWA BANK

Head Office: Osaka, Japan

MINES—Continued[illegible]

